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## East Europe Report



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13 February 1986

## EAST EUROPE REPORT

### CONTENTS

#### ECONOMY

##### YUGOSLAVIA

Law on Credit Relations With Foreign Countries (Radovan Vlakovic, Ilijaz Kurteshi; SLUZBENI LIST SFRJ, No 66, 11 Dec 85) .....	1
Law on Foreign Trade in Goods, Services (Radovan Vlakovic, Ilijaz Kurteshi; SLUZBENI LIST SFRJ, No 66, 11 Dec 85) .....	19
Law on Foreign Exchange Transactions (SLUZBENI LIST SFRJ, No 66, 11 Dec 85) .....	80
Law on Banking, Credit System (Radovan Vlakovic, Ilijaz Kurteshi; SLUZBENI LIST SFRJ, No 70, 20 Dec 85) .....	148

## LAW ON CREDIT RELATIONS WITH FOREIGN COUNTRIES

Belgrade SLUZHBIENI LIST SFRJ in Serbo-Croatian No 66, 11 Dec 85 pp 1661-1667

[Law Adopted by the SFRY Assembly in a session of the Chamber of Republics and Provinces in Belgrade on 6 December 1985 and signed by Radovan Vlačko-  
vic, Chairman of the SFRY State Presidency, and Ilija Kurteshi, President  
of the SFRY Assembly]

## I. BASIC PROVISIONS

## Article 1

The conditions under which and the manner in which organizations of associated labor and other social juridical persons may take credits abroad and grant credits to foreign persons shall be regulated by this law.

Obligations related to foreign credits shall be paid and claims related to credits granted abroad shall be collected in accordance with the provisions of the federal law regulating foreign-exchange transactions.

## Article 2

For the purpose of this law "foreign credit relations" means:

- 1) exports and imports of goods and services on credit, excepting goods and services for which a payment period not exceeding 60 days has been contracted for (hereinafter "commercial credits");
- 2) the taking of credit abroad to import goods and services and the granting of credit abroad for the export of goods and services (hereinafter "commodity credits");
- 3) the taking and granting of financial credit;
- 4) the taking abroad and granting abroad of short-term credits by banks authorized to conduct settlement and credit transactions with foreign countries (hereinafter "fully authorized banks") through open lines of credit (hereinafter "bank lines of credit");



- 5) the procurement of funds by issuing bonds on a foreign financial market;
- 6) the taking of credit by placing as security claims against credits extended abroad and the taking out of mortgages;
- 7) the taking of credit in order to maintain Yugoslavia's liquidity in international payments;
- 8) the taking and placement of deposits which are accepted from abroad or made abroad under the provisions of the federal law regulating foreign-exchange transactions;
- 9) the granting of short-term credits abroad for imports of goods and services and the taking of short-term credits abroad for the importation of goods and services by issuing and by taking securities and by depositing securities which have been accepted by fully authorized banks and first-class foreign banks;
- 10) the giving and taking of guarantees, superguarantees and other forms of guaranty in foreign credit relations.

### Article 3

"Commercial credit" means exports and imports of goods and services on credit, except goods and services to be paid for under contract within 60 days, between foreign purchasers or sellers and domestic organizations of associated labor.

A payment in cash for which the period of bringing in foreign exchange or making payment abroad has been extended by permission of the competent authority in conformity with the provisions of the federal law regulating foreign-exchange transactions shall not be considered commercial credit.

"Commodity credit" means credit which the creditor extends to the credit applicant in order to finance the purchase of goods and pay for services, in which the purpose of use of the funds is defined in the credit contract.

"Financial credit" means credit which the creditor extends to the credit applicant when the credit contract does not define the purpose for which the resources of the credit are to be used.

A "bank line of credit" means short-term credit with a repayment period not to exceed 12 months which a fully authorized bank uses in a foreign bank or grants to a foreign bank.

"Short-term credits" means credits taken abroad or granted abroad for a period not exceeding 12 months.

### Article 4

The provisions of this law regulating the taking of financial credits shall apply to credits concluded by issuing securities on a foreign financial

market and to credits concluded on the basis of security represented by claims pertaining to credits granted abroad in which the creditor does not define the purpose for which the borrower is to use the resources from those credits.

The manner of issuance and the buying and selling of securities on a foreign financial market shall be regulated by federal law.

The conditions under which credits may be concluded abroad on the basis of securities shall be prescribed by the National Bank of Yugoslavia.

#### Article 5

The policy governing borrowing abroad and the policy governing credit financing abroad shall be set forth in the medium-term planning period in the social plan of Yugoslavia as a function of the level of the country's debt and the ability of social juridical persons to promptly discharge obligations related to credits, and also depending upon the country's needs and abilities for credit financing abroad.

The projection of Yugoslavia's balance of payments shall state for each year the volume and basic purposes of credits being taken abroad and granted abroad.

#### Article 6

Long-term and medium-term financial credits may be concluded, used and repaid within the framework of the projection of Yugoslavia's balance of payments.

The credits referred to in Paragraph 1 of this article shall be taken:

- i) in order to maintain liquidity in international payment;
- ii) in order to finance joint and other development programs, provided the users of the credit and the organizations of associated labor assuming obligations are duly stated pursuant to Article 15 of this law.

The credits referred to in this article shall be concluded, used and repaid in the manner set forth in a federal law which shall be adopted separately for each credit.

As an exception to the provisions of Paragraph 2 of this article, financial credits may be taken abroad by organizations of associated labor and other social juridical persons in order to do work on capital investment projects abroad, to make investment abroad or for credit financing abroad and performance of contracts on investment of the resources of foreign persons in domestic organizations of associated labor, in conformity with federal law.

#### Article 7

If the proportions in Yugoslavia's balance of payments are not being achieved consistent with the established projection of Yugoslavia's balance

of payments, The Federal Executive Council shall propose or undertake measures to restrict the taking of credit abroad or the granting of credit abroad, requiring the posting of deposits in dinars, the holding of the uncommitted portion of credit in foreign exchange, and reduction of the credit-guarantee potential of the fully authorized bank.

#### Article 8

Organizations of associated labor and other social juridical persons may borrow abroad if a fully authorized bank finds that they meet the conditions prescribed by this law.

A fully authorized bank may contract credit in its own name and on the account of organizations of associated labor and other social juridical persons as referred to in Paragraph 1 of this article and issue guarantees on their account up to the limits of its established credit-guarantee potential.

If an organization of associated labor or other social juridical person for which a bank has contracted credit or issued guarantees do not together discharge the export obligations assumed in Article 15 of this law, the National Bank of Yugoslavia shall prohibit the fully authorized bank referred to in Paragraph 2 of this article from contracting and granting credits and from issuing guarantees and other forms of guaranty abroad for a period of not less than 2 years.

The credit-guarantee potential referred to in Paragraph 2 of this article shall be established by the Federal Executive Council at the end of each year for the following year.

In establishing the credit-guarantee potential referred to in Paragraph 4 of this article provisions shall be made for a portion of the credit-guarantee potential of fully authorized banks on the basis of which organizations of associated labor will be facilitated in using foreign credits to carry out projects in the underdeveloped socialist republics and the Autonomous Province of Kosovo as well as for other regional commitments consistent with the social plan of Yugoslavia, under the conditions set forth in this law.

Actual collections from exports of fully authorized member banks, regardless through which bank the collection from the exports was made, shall be taken as the basis for establishing the credit-guarantee potential referred to in Paragraph 2 of this article.

#### Article 9

Organizations of associated labor and a fully authorized bank may issue commodity and financial credits on the account of organizations of associated labor to users abroad in order to promote exports of goods and services and to organize the sale of goods and services, and they may also grant financial credits for other purposes which advance foreign economic relations, within the limits of the volume of credit financing abroad envisaged in the projection of Yugoslavia's balance of payments.

The Federal Executive Council shall establish the purposes of the financial credits referred to in Paragraph 1 of this article.

#### Article 10

Fully authorized banks shall set forth in an agreement the special conditions under which credits shall be taken abroad, credits granted abroad, and guarantees and other forms of guaranty given and taken concerning credits which organizations of associated labor and other social juridical persons contract for abroad.

The agreement referred to in Paragraph 1 of this article may not be applied unless the National Bank of Yugoslavia grants consent to the conditions contained in the agreement.

If the conditions referred to in Paragraph 1 of this article have not been established, the National Bank of Yugoslavia shall define special conditions which shall remain in effect until agreement is reached among the fully authorized banks.

#### Article 11

The National Bank of Yugoslavia shall define the conditions under which fully authorized banks may out of the resources of foreign credits which they hold in accounts abroad deposit resources in accounts requiring notice of withdrawal and in time deposits.

#### Article 12

Foreign credit relations may be established by the following:

- 1) organizations of associated labor;
- 2) fully authorized banks;
- 3) The Yugoslav Bank for International Economic Cooperation and joint financial organizations;
- 4) the National Bank of Yugoslavia;
- 5) sociopolitical communities;
- 6) self-managing communities of interest in the sector of physical production;
- 7) the Federal Directorate for Sales and Reserves of Special-Purpose Products;
- 8) the Fund for Financing Growth of Employment in the Economically Underdeveloped Regions with a Marked Outflow of Population of the Socialist Federal Republic of Yugoslavia.



The persons referred to in Paragraph 1 of this article may not take credits abroad, issue guarantees and other forms of guaranty abroad, nor perform other actions preceding conclusion of credit contracts that would create any obligations whatsoever for the Socialist Republic of Yugoslavia in the domain of foreign credit transactions except obligations assumed in conformity with the provisions of this law.

#### Article 13

Obligations pertaining to credits contracted for by the persons referred to in Article 12 of this law shall be repaid on the dates when payment comes due as stated in the contract concluded concerning the credit.

The Federal Executive Council may on recommendation of the National Bank of Yugoslavia prescribe conditions under which organizations of associated labor may through a fully authorized bank pay off obligations on foreign credits in advance of the due date by purchasing securities whereby domestic persons assume the payment obligation.

### II. FOREIGN CREDIT TRANSACTIONS

#### 1. Organizations of Associated Labor

#### Article 14

Organizations of associated labor may take and grant credits as referred to in Article 2, Subparagraphs 1, 2, 3, 5, 6, and 9, of this law and give and take guarantees and other forms of guaranty in conformity with the provisions of this law.

#### Article 15

An organization of associated labor may take credits abroad if it meets the following conditions:

i. that with the equipment it is importing on credit it guarantees to augment exports and the net inflow of foreign exchange by at least the amount of the obligations under the credits;

ii. that the raw materials and production supplies being imported are within the limits of the established import right and payment right in the year in question, provided exports are achieved in at least the amount of the repayment of the credit in that year;

iii. that the imports of raw materials and production supplies on credit guarantee an augmentation of exports in the context of Article 120 of the Law on Foreign Exchange Transactions even if the value of the growth of exports is greater than the obligations under the credits;

iv. that it promptly discharge obligations come due related to foreign credits and other obligations assumed in relations with foreign countries;

v. that it achieve production and export in accordance with the obligations assumed when borrowing abroad previously;

vi. that it regularly discharge its obligations within the country as they come due;

vii. that the body of management of the organization of associated labor has adopted a decision to conduct the credit transaction;

viii. that the credit transaction serves performance of the activity for which the organization of associated labor is registered.

Credits may also be taken abroad by organizations of associated labor which have a joint program and have concluded a self-management accord setting forth their mutual obligations related to production, exports and imports and which jointly meet the conditions stated in Paragraph 1 of this article, especially when use of the credit guarantees an increase or contributes to an increase of exports and the net inflow of foreign exchange in at least the amount that will cover repayment of the credit.

In the case of organizations of associated labor whose exporting has been prohibited or restricted, "exports" in the context of Paragraph 1, Subparagraphs 1 and 2, of this article refers to the value of exports which have been prohibited or restricted by the Federal Executive Council.

Credits may be taken abroad as referred to in Paragraph 2 of this article under guarantees of one or more banks meeting the conditions set forth in the Law on the Bases of the Credit and Banking System.

As an exception to the provisions of Paragraph 1 of this article, organizations of associated labor which have been prohibited from or restricted in exporting, other organizations of associated labor, and other social juridical persons may conclude the credit transactions referred to in Article 14 of this law in order to finance joint and other development programs under the conditions stated in Article 6 of this law, on the basis of the federal law which establishes the users, sources and manner of repayment of credit.

The National Bank of Yugoslavia shall prescribe the documentation to be used in proving that the conditions stated in Paragraph 1 of this article have been met.

#### Article 16

The fully authorized bank through which the foreign credit is concluded or which issues the guarantee covering that credit or issues confirmation that the indebtedness is within the limits of its credit-guarantee potential must first establish that the organization of associated labor meets the conditions envisaged in Article 15 of this law.



## Article 17

Goods and services may be exported and imported on credit only in conformity with the prescribed form of export and import of goods or in conformity with regulations concerning the export and import of services.

## Article 18

An organization of associated labor may issue guarantees and other forms of guaranty related to a foreign credit for another organization of associated labor with which it has concluded a self-management accord on the pooling of labor and resources.

An organization of associated labor may issue guarantees and other forms of guaranty related to certain credit transactions which an enterprise which it has established abroad is conducting or for a joint enterprise which has been established abroad with the resources of that organization and the resources of foreign juridical and physical persons.

An organization of associated labor may issue guarantees and other forms of guaranty as referred to in Paragraphs 1 and 2 of this article if it meets the conditions stated in Article 15 of this law.

## Article 19

An organization of associated labor may purchase ships and airplanes on the basis of a mortgage if a fully authorized bank finds that it has met the conditions stated in Article 15, Paragraph 1, of this law.

The credits referred to in Paragraph 1 of this article shall not be included in the credit-guarantee potential of the fully authorized bank.

### 2. Fully Authorized Bank

## Article 20

The fully authorized bank may take and give commodity, financial and other credits abroad, bank lines of credit and bank deposits, may obtain resources by issuing bonds on a foreign financial market, take credits on the basis of security represented by claims under credits granted abroad, and give and take guarantees, superguarantees and other forms of guaranty.

The fully authorized bank shall conduct credit transactions in its own name and on the account of organizations of associated labor and other social juridical persons, but it shall conduct transactions concerning bank lines of credit and deposits in its own name and on its own account.

The volume of short-term indebtedness in case of seasonal unevenness in the current inflow of foreign exchange and the outflow of banks (bank lines of credit and acceptance of deposits) shall be set by the Federal Executive Council on recommendation of the National Bank of Yugoslavia.

## Article 21

The fully authorized bank may conduct foreign credit transactions as referred to in Article 20 of this law as follows:

- 1) if it meets the conditions of creditworthiness;
- 2) if the body of management of the organization of associated labor has resolved that the bank shall conclude the credit transaction on the account of that organization;
- 3) if the competent body of the fully authorized bank has decided to conduct a credit transaction;
- 4) if the credit transaction is registered in the context of Article 41 of this law;
- 5) if the decision has been adopted as referred to in Article 15, Paragraph 1, Subparagraph 7, of this law for each individual guarantee, superguarantee or other form of guaranty;
- 6) if it meets the special conditions stated in Article 10 of this law;
- 7) if it has been regularly discharging obligations which have come due on foreign credits;
- 8) if the credit transaction falls within the limit of the established credit-guarantee potential of the fully authorized bank.

## Article 22

The fully authorized bank may also conclude a special long-term or medium-term commodity credit abroad in general contracts or contracts on a line of credit.

The fully authorized bank may use the credits referred to in Paragraph 1 of this article only on the account of organizations of associated labor which meet the conditions stated in Article 15 of this law. The fully authorized bank may use foreign credit if organizations of associated labor commit themselves in a contract to accept the terms and conditions and the purpose of use of the open credit or line of credit.

## Article 23

The fully authorized bank may grant credit abroad for the purposes stated in Article 9 of this law by concluding special long-term or medium-term commodity credits with foreign countries on the basis of general contracts or contracts concerning a line of credit.

The Federal Executive Council shall state the conditions and sources of resources for the granting of credit as referred to in Paragraph 1 of this article on the recommendation of the National Bank of Yugoslavia and after

consulting the opinion of the Yugoslav Bank for International Economic Cooperation and the Association of Yugoslav Banks.

#### Article 24

A fully authorized bank may use the foreign exchange which it obtains on the basis of deposits abroad in the following ways:

- 1) to make payment abroad in conformity with the federal law regulating foreign-exchange transactions;
- 2) to grant credits and make other investments abroad for the purposes stated in Article 9 of this law.

The fully authorized bank shall make the deposits referred to in Paragraph 1 of this article in its own name and on its own account and shall assume all the obligations towards foreign countries.

#### Article 25

The fully authorized bank shall use bank lines of credit for payments which organizations of associated labor and other social juridical persons may make in conformity with the federal law regulating foreign-exchange transactions.

#### Article 26

The fully authorized bank may issue guarantees, superguarantees and other forms of guaranty concerning the international transactions concluded by the following:

- 1) by organizations of associated labor and other social juridical persons which meet the conditions stated in Article 15 of this law;
- 2) by another fully authorized bank which meets the conditions stated in Article 21 of this law.

The fully authorized bank may issue guarantees, superguarantees and other forms of guaranty on account of foreign persons related to particular credit transactions with foreign countries, for the purposes and under the conditions set forth by the Federal Executive Council on recommendation of the National Bank of Yugoslavia.

#### Article 27

The fully authorized bank may conclude contracts concerning credits and may issue guarantees, superguarantees and other forms of guaranty within the limits of the established credit-guarantee potential.

The types of guarantees, superguarantees and other forms of guaranty and the conditions under which the fully authorized bank may issue guarantees, superguarantees and other forms of guaranty shall be set forth by the National Bank of Yugoslavia.

## Article 28

The fully authorized bank may issue guarantees, superguarantees, and other forms of guaranty on credits to organizations of associated labor and other social juridical persons which meet the conditions for borrowing abroad, on which a specific contract shall be concluded.

Organizations of associated labor and other social juridical persons on whose account a fully authorized bank has made payments on the basis of a guarantee, superguarantee and other forms of guaranty are required to settle the obligations which have come about in that manner at the rate of exchange on the date when the obligation is settled.

If an organization of associated labor does not perform the contractual obligations stated in Paragraph 1 of this article, the fully authorized bank shall issue an order to the Social Accounting Service of Yugoslavia to block the giro account of the organization of associated labor until it settles the obligation.

## Article 29

The fully authorized bank which has taken credit abroad in its own name, but on the account of an organization of associated labor and a bank which has issued a guarantee or superguarantee on credits which have been taken abroad by organizations of associated labor are required to conclude a contract with those organizations in which they set forth the specific obligations of the organization of associated labor with respect to augmenting or contributing to growth of exports and the net inflow of foreign exchange.

If an organization of associated labor on its own or in a vertical linkage with other organizations of associated labor through joint programs for export production fails to achieve that kind of growth of exports and a net inflow of foreign exchange that covers repayment of those credits, the fully authorized bank must proceed pursuant to the provisions of the federal law regulating foreign-exchange transactions.

## 3. The Yugoslav Bank for International Economic Cooperation

### Article 30

The Yugoslav Bank for International Economic Cooperation shall conduct foreign credit transactions in conformity with federal law.

## 4. National Bank of Yugoslavia

### Article 31

The National Bank of Yugoslavia may take credits abroad in its own name and on its own account only in order to maintain Yugoslavia's liquidity in international payments, in conformity with the social plan of Yugoslavia and



the policy governing foreign-exchange reserves, within the limits envisaged by the projection of Yugoslavia's balance of payments. \*

The National Bank of Yugoslavia may use the credits referred to in Paragraph 1 of this article as follows:

- 1) for foreign-exchange reserve;
- 2) to pay obligations related to credits which it has used;
- 3) to refinance credit;
- 4) for sale on the unified foreign-exchange market.

The National Bank of Yugoslavia may take credits for the purposes stated in Paragraph 2 of this article, with a repayment term longer than one year, only on the basis of a federal law, except for credits which it takes from the International Monetary Fund.

Credits may not be granted in dinars on the basis of credits taken abroad to maintain Yugoslavia's liquidity in international payments.

#### Article 32

The National Bank of Yugoslavia may issue guarantees, superguarantees and other forms of guaranty related to foreign credit transactions solely on the basis of a federal law and under the conditions set forth in federal law or on the basis of an international treaty, for each individual credit transaction or for more than one credit taken from a single creditor.

The conditions under which the National Bank of Yugoslavia is issuing a guarantee, superguarantee or other form of guaranty shall be stated in the act to ratify the international treaties referred to in Paragraph 1 of this article.

The National Bank of Yugoslavia may issue guarantees, superguarantees and other forms of guaranty on the basis of a decision of the Federal Executive Council to cover credits being used by the Federal Directorate for Sales and Reserves for Special-Purpose Products.

The Military Department of the National Bank of Yugoslavia may issue routine (cinidbene) guarantees on its own.

#### Article 33

If a fully authorized bank does not repay on schedule a foreign credit for which the National Bank of Yugoslavia has issued a guarantee, superguarantee or other form of guaranty, the National Bank of Yugoslavia shall block the giro account of the fully authorized bank which has not paid its obligation abroad until it settles the obligation.

## 5. Socio-Political Communities

### Article 34

The federation shall establish foreign credit relations on the basis of a federal law, which shall be enacted for each credit separately.

Foreign credit transactions to meet the needs of national defense shall be established and conducted by decision of the Federal Executive Council.

### Article 35

The Federation may assume obligations as a guarantor or superguarantor on the basis of a federal law enacted separately for assumption of obligations under each guarantee or superguarantee.

The Federation may assume the obligation referred to in Paragraph 1 of this article provided that the guarantee of a fully authorized bank or other guarantor has been obtained in advance.

### Article 36

If the Federation assumes an obligation as guarantor or superguarantor concerning credits being refinanced or rescheduled, organizations of associated labor and other social juridical persons may not make payments on the credits being refinanced or rescheduled during the time of the refinancing or rescheduling.

Organizations of associated labor and other social juridical persons as referred to in Paragraph 1 of this article shall make payments on credits whose repayment is being refinanced or rescheduled by paying the equivalent dinar value in the intervals established in the new repayment plan.

### Article 37

The republics, autonomous provinces and other sociopolitical communities shall establish foreign credit relations on the basis of a federal law enacted separately for each credit.

## 6. Self-Managed Communities of Interest in the Physical Production Sector

### Article 38

Self-managed communities of interest in the sector of physical production shall establish foreign credit relations on the basis of a federal law enacted for each credit separately.

## 7. Federal Directorate for Sales and Reserves of Special-Purpose Products

### Article 39

The Federal Directorate for Sales and Reserves of Special-Purpose Products shall establish foreign credit relations as referred to in Article 2 of this



law within the limits of its competence on the basis of a decision of the Federal Executive Council.

**8. Fund for Financing Growth of Employment in the Economically Underdeveloped Regions of the Socialist Federal Republic of Yugoslavia with a Marked Outflow of Population**

**Article 40**

The Fund to Finance the Growth of Employment in Economically Underdeveloped Regions of the Socialist Federal Republic of Yugoslavia with a Marked Outflow of Population shall establish foreign credit relations to finance development of underdeveloped regions with a marked outflow of population on the basis of a decision of the Federal Executive Council and in conformity with the federal law regulating the procurement and use of foreign resources to increase employment and to create jobs for those returning from employment abroad.

**9. Registration and Recordkeeping of Foreign Credit Transactions**

**Article 41**

Foreign credit transactions must be registered. All changes in the contractual conditions and dissolution of a contract concerning foreign credit transactions shall also be subject to registration.

The credit transactions referred to in Paragraph 1 of this article shall be registered with the national banks of the republics and the national banks of the autonomous provinces only with prior consent of the National Bank of Yugoslavia stated in writing.

The credit transactions referred to in Articles 34 and 39 of this law shall be registered with the National Bank of Yugoslavia.

The National Bank of Yugoslavia shall define the manner, periods of time and necessary documentation for registration of foreign credit transactions.

The National Bank of Yugoslavia may prescribe the obligation of registering the purpose for concluding foreign credit transactions, except for the credit transactions referred to in Articles 34 and 39 of this law.

The Military Department of the National Bank of Yugoslavia shall keep records on the credit transactions concluded under Article 39 of this law.

**Article 42**

The national banks of the republics and the national banks of the autonomous provinces shall keep records on the foreign credit transactions concluded, and the National Bank of Yugoslavia shall keep records on the credit transactions concluded under Articles 31, 32, 34, 35 and 39 of this law.

Organizations of associated labor, fully authorized banks and other social juridical persons shall be required to keep records on the conclusion of foreign credit transactions and the granting of credit abroad, on the use and repayment of credit, and on collections made related to foreign credit transactions.

Organizations of associated labor, fully authorized banks and other social juridical persons shall be required to file reports with the national banks of the republics and the national banks of the autonomous provinces concerning the data referred to in Paragraph 2 of this article within the intervals and in the manner stated by the National Bank of Yugoslavia.

The national banks of the republics and the national banks of the autonomous provinces shall furnish the National Bank of Yugoslavia data from records on foreign credit transactions concluded and the reports referred to in Paragraph 3 of this article within the intervals which it fixes. On the basis of that data the National Bank of Yugoslavia shall keep a unified set of records on foreign credit transactions.

### III. PUNITIVE PROVISIONS

#### 1. Economic Violations

##### Article 43

An organization of associated labor or other social juridical person shall be subject to a fine for an economic violation of not less than 200,000 and not more than 10,000,000 dinars as follows:

- 1) if it borrows abroad before a fully authorized bank has established that it meets the conditions prescribed by this law (Article 8, Paragraph 1);
- 2) if it takes credits abroad, issues guarantees and other forms of guaranty abroad or performs other acts which precede conclusion of a credit contract that would create any sort of obligations for the Socialist Federal Republic of Yugoslavia in the domain of foreign credit transactions, except obligations assumed in conformity with the provisions of this law (Article 12, Paragraph 2);
- 3) if it takes credits abroad when it does not meet the prescribed conditions (Article 15, Paragraph 1);
- 4) if it issues a guarantee or other form of guaranty related to a foreign credit for another organization of associated labor with which it has not concluded a self-management accord on the pooling of labor and resources (Article 18, Paragraph 1);
- 5) if it does not meet obligations which have arisen on the basis of a guarantee, superguarantee or other form of guaranty at the rate of exchange in effect on the day when the obligation was settled (Article 28, Paragraph 2).

The person responsible in the organization of associated labor or other social juridical person shall also be subject to a fine for an economic violation of not less than 25,000 and not more than 500,000 dinars for acts as described in Paragraph 1 of this article.

#### Article 44

A fully authorized bank shall be subject to a fine for an economic violation of not less than 200,000 and not more than 10,000,000 dinars as follows:

- 1) if a credit is concluded abroad through it or if it issues a guarantee covering that credit or issues confirmation that the indebtedness is within the limits of that bank's credit-guarantee potential when it has not previously established whether the organization of associated labor meets the conditions envisaged in Article 15 of this law (Article 16);
- 2) if it conducts foreign credit transactions as referred to in Article 20 of this law, but does not meet the conditions prescribed in Article 21 of this law (Article 21);
- 3) if it uses resources obtained through a special long-term or medium-term credit abroad or through general contracts or contracts on a line of credit contrary to the prescribed conditions or purposes (Article 22);
- 4) if it concludes credit contracts or issues a guarantee, superguarantee or other form of guaranty over and above the fixed limit of its credit-guarantee potential (Article 27, Paragraph 1);
- 5) if it fails to conclude a contract with an organization of associated labor in the context of Article 29, Paragraph 1, of this law.

The person responsible in the fully authorized bank shall also be subject to a fine for an economic violation of not less than 25,000 and not more than 500,000 dinars for acts as described in Paragraph 1 of this article.

#### Article 45

Conviction of the person responsible in the organization of associated labor, fully authorized bank or other social juridical person of an economic violation under Articles 43 and 44 of this law and sentencing to a fine in an amount greater than 200,000 dinars shall automatically invoke as a legal consequence of conviction a prohibition from performing tasks and functions involving foreign credit transactions.

The legal consequence of conviction stated in Paragraph 1 of this article shall last three years counted from the date when the verdict became final.

## 2. Misdemeanors

### Article 46

An organization of associated labor, fully authorized bank or other social juridical person shall be subject to a fine for a misdemeanor of not less than 50,000 and not more than 500,000 dinars as follows:

1) if it does not keep records on conclusion of foreign credit transactions and the granting of credit abroad, on the use and repayment of credit, and on collections made on the basis of foreign credit transactions (Article 42, Paragraph 2);

2) if it does not furnish the national banks of the republics and national banks of the autonomous provinces reports on records concerning the conclusion of foreign credit transactions, the granting, use and repayment of credit, and concerning collections made related to foreign credit transactions, within the periods and in the manner stated by the National Bank of Yugoslavia (Article 42, Paragraph 3).

The person responsible in the organization of associated labor, fully authorized bank or social juridical person shall also be subject to a fine for a misdemeanor of not less than 10,000 and not more than 100,000 dinars for acts as described in Paragraph 1 of this article.

### Article 47

Misdemeanor proceedings for the misdemeanors envisaged by this law shall be conducted and the decision on the misdemeanor rendered in the first instance by the Federal Foreign Exchange Inspectorate.

The Federal Tribunal for Misdemeanors shall rule on an appeal against a decision on a misdemeanor rendered in the first instance.

## IV. TRANSITIONAL AND FINAL PROVISIONS

### Article 48

Organizations of associated labor which in conformity with the provisions of the Law on Taking Certain Commodity Credits Abroad in 1983, 1984 and 1985 (SLUZBENI LIST SFRJ, No 11, 1983; No 35, 1983; No 22, 1984; No 71, 1984) and regulations enacted on the basis of that law, used commodity credit and in a contract with an authorized bank assumed the obligation to export and repay the credit with the foreign exchange realized from those exports, are required in conformity with the contract which they have concluded with the fully authorized bank to discharge the obligation assumed to export and to make collection within the periods of time stipulated in the contract.

### Article 49

A fully authorized bank which borrowed abroad in conformity with the Law on Taking Certain Commodity Credits Abroad in 1983, 1984 and 1985 may transfer



obligations related to those credits to the National Bank of Yugoslavia, provided it transfers to the National Bank of Yugoslavia foreign exchange from the current inflow of foreign exchange realized from those transactions in the amount of the credit approved, together with interest and other costs related to that credit, from the date of use of the credit to the date when the obligations are transferred to the National Bank of Yugoslavia, within a period of fifteen days from the date when this law takes effect or within a period of two days from the date of collection for the goods exported whose production was the purpose of using the commodity credit.

The relations referred to in Paragraph 1 of this article shall be regulated by a contract concluded between the National Bank of Yugoslavia and the fully authorized bank.

#### Article 50

In the case of payments to repay credits whose repayment has been postponed or refinanced before the date when this law takes effect an organization of associated labor shall pay off obligations related to credits by paying in the equivalent dinar value within the intervals stated in the new payment plan or by the due dates of the refinanced credit.

#### Article 51

If within ten days from the day when this law takes effect a fully authorized bank does not discharge obligations related to a foreign credit which have come due before the day when this law takes effect and which have been paid by the National Bank of Yugoslavia, when the guarantee, superguarantee or other form of guarantee on them was issued by the republic or autonomous province, that republic or autonomous province is required to pay the corresponding dinar amount of the resources to the credit of the Federation within a further period of three days.

#### Article 52

This law shall take effect on the eighth day after publication in SLUŽBENI LIST SFRJ, and it shall be applied as of 1 January 1986.

7045

CSO: 2800/109

## LAW ON FOREIGN TRADE IN GOODS, SERVICES

Belgrade SLUZBENI LIST SFRJ in Serbo-Croatian No 66, 21 Dec 85 pp 1667-1686

[Law adopted by the SFRY Assembly in a session of the Chamber of Republics and Provinces in Belgrade on 6 December 1985, signed by Radovan Vlahkovic, chairman of the SFRY State Presidency, and Ilijaz Kurteshi, president of the SFRY Assembly: "Law on Foreign Trade in Goods and Services"]

## I. Basic Provisions

## Article 1

Trade in goods and services with foreign countries (hereinafter "foreign commerce") and the conditions under which organizations of associated labor and other social juridical persons may engage in foreign commerce shall be regulated by this law.

## Article 2

Relations in the domain of foreign commerce constitute an integral part of relations in social reproduction based on the pooling of labor and resources and on worker self-management of social resources.

In a self-management accord on the pooling of labor and resources and in contracts on long-term industrial cooperation and business-technical collaboration organizations of associated labor shall regulate their mutual relations pertinent to the exercise of rights and discharge of obligations in foreign commerce, in conformity with the established joint policy of foreign economic relations, with regulations and other general acts, and with trade agreements and other international treaties.

The SFRY Assembly shall set forth the joint policy of foreign economic relations in the social plan of Yugoslavia and other acts.

## Article 3

Organizations of associated labor shall be required in foreign commerce to abide by good business usages and business ethics, to preserve the interests and reputation of the Socialist Federal Republic of Yugoslavia and to do



business in a manner which is not detrimental to other organizations of associated labor or to the social community.

## II. Foreign Commerce

### Article 4

Foreign commerce is the trade in goods and services between domestic and foreign persons which is conducted on the basis of contracts, in accordance with federal law, other regulations and international treaties. Foreign commerce embraces exports of goods and services, imports of goods and services and the temporary exportation or importation of goods.

An export or import has taken place when the goods have cleared customs and if they have crossed the customs line, or when a service has been rendered. The date when the goods cleared customs is regarded as the date of export or import.

The official who heads the official administrative agency responsible for foreign commerce shall prescribe which date shall be taken as the date of rendering a service.

Temporary importation or temporary exportation is done when the goods have crossed the customs line, but the obligation exists for the goods to return to the country or abroad at the end of the period of time for which the exportation or importation took place.

The regulations which apply to the trade in goods and rendering of economic services in Yugoslavia shall apply to foreign commerce unless this law or regulations enacted on the basis of this law provide otherwise.

#### 1. Conditions for Engaging in Foreign Commerce

### Article 5

An organization of associated labor may engage in foreign commerce if it engages in an economic activity and is registered for foreign commerce in the court register of the court which has jurisdiction where it is domiciled.

The business community may also engage in foreign commerce to meet the needs of its members if it is registered for that commerce in the court register and if the members of that community have transferred in part or altogether the affairs of foreign commerce to the business community in the self-management accord whereby they entered into association to form the business community.

An organization of associated labor which is a member of a business community may not engage in a transaction in foreign commerce which it has transferred to a business community.

Foreign commerce in armament and military equipment shall be carried on by the Federal Secretariat for National Defense or, by its authority, by the Federal Directorate for Sales and Reserves of Special-Purpose Products and by organizations of associated labor which obtain permission of the Federal Secretariat for National Defense, regardless of the line of business for which they are entered in the court register.

#### Article 6

Physical persons and civil juridical persons may not establish organizations of associated labor to conduct transactions in foreign commerce.

#### Article 7

The SFRY Assembly shall set forth the policy for advancement of the foreign-trade network within the country and abroad.

#### Article 8

An organization of associated labor may engage in transactions in foreign commerce if it is registered to engage in that commerce in the court register.

The right to engage in transactions in foreign commerce shall be entered in the court register on the basis of an application which an organization of associated labor files with a competent court and the consent of the federal administrative agency responsible for foreign commerce.

The consent referred to in Paragraph 2 of this article shall be issued if the following conditions have been met:

- 1) if the applicant's body of management has adopted a decision to engage directly in transactions in foreign commerce and if it has approved the economic feasibility study of engaging in that commerce;
- 2) if engaging in the transactions in foreign commerce for which it is applying for entry in the court register is consistent with the policy of promoting the foreign-trade network within the country and abroad that has been set forth by the SFRY Assembly;
- 3) if the self-management accord to enter into association to form the work organization, the complex organization of associated labor or the business community specifies that the particular basic organization, work organization, or complex organization of associated labor or business community is to conduct transactions in foreign commerce;
- 4) if the organization of associated labor has been regularly discharging its obligations in the country and in relations with foreign countries;
- 5) if in its general act on job analysis the organization of associated labor has set forth the functions and tasks involved in conducting transactions in foreign commerce and has set forth the qualifying conditions for those who hold those jobs with respect to their professional and work

experience and other prescribed conditions, and if it has obtained the personnel to conduct the transactions in foreign commerce for which it is being entered in the court register.

The federal administrative agency responsible for foreign commerce shall grant its consent to entry in the court register of the right to engage in particular forms of foreign commerce if aside from the conditions stated in Paragraph 3 of this article the applicant also meets these conditions:

1) for transactions in the exporting and importing of goods conducted by organizations of associated labor entered in the court register for conducting transactions in foreign commerce - that it achieve a certain volume of foreign commerce and within that a certain volume of exports;

2) for transactions in exporting and importing goods which are conducted by organizations of associated labor which are producers - that it achieve a certain percentage of exports relative to its output and that it conduct a certain portion of its foreign commerce on its own;

3) for the rendering of business services in foreign commerce - that it possess operating equipment which has certain characteristics necessary for the rendering of such services, and if the conditions for rendering certain business services have been envisaged by international treaties - that it also meet those conditions;

4) for the business of acting as agent of foreign persons - that it achieve certain exports of Yugoslav goods to meet the needs of the foreign persons it represents and to bring the foreign persons it represents into contact with domestic organizations of associated labor which are producers and participate in the business of organizing long-term industrial cooperation, joint ventures and business-technical collaboration with its own resources, as well as in making imports of the goods of the foreign persons it represents contingent upon exports of domestic goods;

5) for special forms of transactions in foreign commerce (brokerage, work on capital investment projects, etc.) - that it have the organization, the technical capability and personnel for that type of business and meet other additional conditions contained in the regulation enacted on the basis of the power granted in Article 9 of this law.

Organizations of associated labor which are producers may be entered in the court register for engaging in foreign commerce to export products they produce themselves and to import raw materials, production supplies and equipment necessary for their own production, for business services in foreign commerce necessary to the conduct of those transactions, and for the exporting of products and importing of raw materials and production supplies for organizations of associated labor with which it has concluded a contract on industrial cooperation.

If within a work organization or complex organization of associated labor there are several basic organizations or work organizations entered in the court register for engaging in transactions in foreign commerce, a self-

management accord shall set forth which transactions in foreign commerce are to be conducted by the particular organizations of associated labor, provided that two or more organizations of associated labor may not be entered in the court register for the same forms of foreign commerce or for exporting and importing goods of the same type.

The right to engage in transactions in foreign commerce for the exporting and importing of goods shall be entered in the court register according to the nomenclature of the customs tariff, and for business services according to the type of business service rendered in foreign commerce.

If a federal law has prescribed the obligation of pooling the labor and resources of organizations of associated labor in the production sector and organizations of associated labor entered in the court register for conducting transactions in foreign commerce, the organization of associated labor may conduct transactions in foreign commerce if it has pooled its labor and resources pursuant to that law.

Organizations of associated labor entered in the court register for the conduct of foreign commerce may conduct transactions in foreign commerce in their own name but on the account of others, in their own name and on their own account, or in someone else's name and on someone else's account.

Organizations of associated labor may not be entered in the court register to export and import armament and military equipment.

#### Article 9

In conformity with the policy for advancement of the foreign-trade network within the country and abroad and after obtaining the opinion of the Economic Chamber of Yugoslavia, the Federal Executive Council shall prescribe in more detail the conditions enumerated in Article 8 of this law for entry in the court register of the right to engage in transactions in foreign commerce and the evidence which organizations of associated labor must submit to the federal administrative agency responsible for foreign commerce in order to obtain the consent referred to in that article.

#### Article 10

Only personnel who have the prescribed specialized training and meet the other conditions prescribed may handle foreign commercial transactions within an organization of associated labor.

After first obtaining the opinion of the Economic Chamber of Yugoslavia, the federal administrative agency responsible for foreign commerce shall issue a regulation on the minimum specialized training and other conditions which must be met by personnel for competent performance of foreign commercial transactions.

An organization of associated labor shall specify in its own general self-management act those jobs or work duties which are regarded as jobs or work duties involving the conduct of foreign commerce and shall state the special-



lized training and other conditions which must be met by trained personnel who have special authority and responsibility for the performance of those jobs or work duties.

The economic chamber of the republic or economic chamber of the autonomous province shall at the request of the organization of associated labor establish which trained personnel meet the conditions stated in Paragraphs 2 and 3 of this article.

The Economic Chamber of Yugoslavia, together with the economic chambers of the republics and the economic chambers of the autonomous provinces, shall see to the training and advanced training of personnel who conduct foreign commercial transactions.

#### Article 11

An organization of associated labor may begin to conduct foreign commercial transactions only when it is entered in the court register for those transactions.

Before it is entered in the court register an organization of associated labor may not undertake preliminary and preparatory actions related to transactions in foreign commerce (inviting and submitting bids, sending samples, commencing and conducting negotiations, etc.).

#### Article 12

The court which keeps the court register shall be required to submit to the federal administrative agency responsible for foreign commerce and the competent bodies of the republics and provinces a copy of the decision concerning the entry made in the court register or the decision concerning changes made in that register, within thirty days from the date when the entry was made or from the date when the changes were made in that registry.

#### Article 13

If after entry in the court register an organization of associated labor ceases to satisfy any of the conditions stated in Article 8, Paragraph 3, Subparagraphs 1, 3, and 5, and Paragraph 4, of this law for engaging in foreign commerce, within fifteen days of the date when it ceased to meet the conditions it shall be required to notify the federal administrative agency responsible for foreign commerce.

The federal administrative agency responsible for foreign commerce shall state the interval, which may not be longer than six months, within which the organization of associated labor must meet the conditions for engaging in foreign commerce. If within that period the organization of associated labor does not satisfy the prescribed conditions, the federal administrative agency responsible for foreign commerce shall revoke the consent referred to in Article 8 of this law and submit to the competent court a request for deletion from the court register of the right of that organization of asso-

ciated labor to conduct any or only certain transactions in foreign commerce.

The Social Accounting Service of Yugoslavia shall ascertain whether organizations of associated labor discharge their obligations within the country in the context of Article 8, Paragraph 3, Subparagraph 4, of this law, and if they fail to discharge those obligations for six months, it shall notify the federal administrative agency responsible for foreign commerce to that effect.

Banks which have authority to conduct international payments and foreign credit relations (hereinafter "fully authorized banks") shall submit to the federal administrative agency responsible for foreign commerce reports on organizations of associated labor which for six months have not been discharging their obligations in relations with foreign countries in the context of Article 8, Paragraph 3, Subparagraph 4, of this law.

The Federal Customs Administration shall submit data to the federal administrative agency responsible for foreign commerce on individual organizations of associated labor as to the foreign commerce conducted and the exports and imports of goods.

The Economic Chamber of Yugoslavia shall submit data to the federal administrative agency responsible for foreign commerce on the complaints of foreign persons about the quality of goods delivered or services rendered.

If the federal administrative agency responsible for foreign commerce finds on the basis of the data referred to in this article that an organization of associated labor has ceased to meet any of the conditions stated in Article 8 of this law, it shall proceed in a manner prescribed in Paragraph 2 of this article.

The federal administrative agency responsible for foreign commerce shall monitor and analyze the data on current exports and imports of goods individually for the organizations of associated labor entered in the court register to conduct transactions in foreign commerce, by economic branches, regions and countries, on the basis of the summarized data of the Federal Customs Administration and the fully authorized banks, and on the basis of the data on which organizations of associated labor entered in the court register to engage in foreign commerce must furnish to the federal administrative agency responsible for foreign commerce at its request.

In the cases referred to in Paragraph 2 and 7 of this article an organization of associated labor may complete transactions in foreign commerce which are underway or turn them over to another organization of associated labor which is entered in the court register for conducting transactions in foreign commerce.

#### Article 14

The certificate of the entry made in the court register and of deletion from the court register and the certificate of deletion from the court register



of the right to conduct transactions in foreign commerce involving a particular commodity or certain business services shall be published in SLUZHBE NI LIST SFRJ at the expense of the organization of associated labor.

#### Article 15

A council shall be established in the federal administrative agency responsible for foreign commerce which shall take up matters important to foreign trade and other foreign economic relations and especially the conduct of business by organizations of associated labor conducting transactions in foreign commerce or conducting business activities abroad and the establishment and operation of representative offices of foreign persons in the Socialist Federal Republic of Yugoslavia.

The participants in the council's proceedings shall be the federal administrative agency responsible for foreign commerce, the federal administrative agency responsible for foreign affairs, the federal administrative agency responsible for finance, the federal administrative agency responsible for the market and general economic affairs, the federal administrative agency responsible for energy and industry, the Federal Customs Administration, the National Bank of Yugoslavia, the Social Accounting Service of Yugoslavia, the Economic Chamber of Yugoslavia, the Yugoslav Bank for International Economic Cooperation, the Community of Yugoslav Universities and the Federation of Yugoslav Science Communities.

The participants in the proceedings of the council shall designate their delegates as a function of the matters which are on the agenda of the council's meeting.

Sociopolitical figures, scientists, professionals and public figures may take part in the proceedings of the council at the council's request.

The official who heads the federal administrative agency responsible for foreign commerce shall be the ex officio chairman of the council.

The council shall take up the matters referred to in Paragraph 1 of this article and give its opinions and make its proposals.

#### 2. Exports and Imports

#### Article 16

Exports and imports shall be unrestricted (LB).

Imports may be regulated by the determination of quotas (KN), and exports and imports may be subject to the issuance of a permit (DN), unless this law provides otherwise.

#### Article 17

Goods may be imported only if the conditions prescribed for the marketing or use of those goods in Yugoslavia have been met.

#### Article 18

The social plan of Yugoslavia shall state the basic goals and criteria governing protection of domestic production and use of business services.

#### Article 19

Certain goods may be exported and imported on the basis of a permit in order to fulfill international treaties, to regulate exports and imports of armament and military equipment and the export and import of certain precious metals.

#### Article 20

Exports and imports of certain goods, whether their exports and imports are unrestricted or regulated, may be made subject to consent for the purpose of regional orientation.

#### Article 21

After first obtaining the opinion of the Economic Chamber of Yugoslavia, the Federal Executive Council shall issue regulations on classification of goods among the various forms of exportation and importation. Goods shall be classified as unrestricted exports and imports, except for goods classified as imports as quota goods in order to protect domestic production, in accordance with Article 18 of this law, and goods which when exported and imported are classified as permit goods on the basis of the criteria stated in Article 19 of this law, and goods whose exportation and importation is regionally oriented shall be designated in conformity with Article 20 of this law.

Before the regulation referred to in Paragraph 1 of this article is issued, the Federal Executive Council shall engage in collaboration with the competent authorities of the republics and provinces.

The permits and consents required for exports and imports, as referred to in Paragraph 1 of this article, shall be issued by the federal administrative agency responsible for foreign commerce, except the permits for exporting and importing armament and military equipment, which shall be issued by the Federal Secretariat for National Defense, and permits for exporting and importing narcotic drugs which shall be issued by the federal administrative agency responsible for labor, health and social welfare. The official who heads the federal administrative agency responsible for foreign commerce shall prescribe the instruction for issuance of permits and consent.

The Federal Executive Council shall issue the regulation referred to in Paragraph 1 of this article no later than two months before its application.

#### Article 22

Organizations of associated labor which are producers, consumers, exporters, and importers of goods and other organizations of associated labor whose

production depends on importing a particular commodity shall specifically establish by a self-management accord in the Economic Chamber of Yugoslavia quotas for such goods and shall allocate them among individual organizations of associated labor, shall establish the schedule and regional pattern of imports of those goods, and also the mutual rights and obligations of parties to the self-management accord with respect to delivery of the goods which are the subject matter of the self-management accord.

The volume of imports of a particular commodity over a particular period of time shall be fixed into quotas in terms of quantity or value of the commodity.

Should the quotas established or their allocation jeopardize the supply of the domestic market, production, or the exporting of goods, the Federal Executive Council may establish quotas or take other steps to correct disturbances which have occurred.

#### Article 23

No later than 1 December of the current year organizations of associated labor shall establish the size of quotas for the coming year and allocate them among individual organizations of associated labor for the coming year within the Economic Chamber of Yugoslavia.

If within the period stated in Paragraph 1 of this article the quotas are not established or allocated, within the period of the next thirty days the quotas shall be established and allocated among individual organizations of associated labor by the federal administrative agency responsible for foreign commerce, which shall notify the Federal Executive Council to that effect.

#### Article 24

Proceeding on the basis of the development policy set forth in the social plan of Yugoslavia, the capability for production of particular equipment in Yugoslavia, and the need for modernization and growth of a particular production, organizations of associated labor shall adopt a self-management accord in the Economic Chamber of Yugoslavia to establish the criteria governing imports of equipment which may be imported only on the basis of quotas, as a rule for the period of five years, and they shall define the way in which quotas are to be established and allocated for imports of equipment in the particular years.

Organizations of associated labor shall furnish data to the Economic Chamber of Yugoslavia for recordkeeping purposes concerning the type and value of equipment whose importation is covered by the development programs of the organizations of associated labor.

#### Article 25

Immediately after their conclusion the Economic Chamber of Yugoslavia shall submit the self-management accords on establishment and allocation of quotas

to the federal administrative agency responsible for foreign commerce and to banks which under regulations receive declarations concerning import contracts concluded.

The quantities and values of goods established in the quotas shall be published by the Economic Chamber of Yugoslavia in GLASNIK PRIVREDNE KOMORE JUGOSLAVIJE within a period of eight days from the date of their establishment.

#### Article 26

The federal administrative agency responsible for foreign commerce may, after first obtaining the opinion of the Economic Chamber of Yugoslavia, establish the quotas of individual organizations of associated labor for the importation of goods to replace goods destroyed by force majeure or natural disasters and goods being imported on the basis of a credit granted by the International Bank for Reconstruction and Development and an international invitation for bids which has been conducted, and over and above the established quota, which it must report to the Federal Executive Council within fifteen days.

### 3. Temporary Measures

#### Article 27

Unless other measures of economic policy correct disturbances in foreign commerce, the balance of payments or on the domestic market, the Federal Executive Council may prescribe measures for temporary regulation of foreign commerce.

In prescribing the measures referred to in Paragraph 1 of this article which will diminish the volume of imports, provisions shall be made so that organizations of associated labor which have larger exports than imports maintain that volume of imports that corresponds to the needs of production for export.

The measures referred to in Paragraph 1 of this article must be limited in time and must last only so long as the disturbances which were the reason for prescribing them.

The Federal Executive Council shall be required to inform the SFRY Assembly about the measures prescribed as referred to in Paragraph 1 of this article.

### 4. Special Forms of Foreign Commerce

#### Article 28

On the basis of a contract concerning long-term international industrial cooperation organizations of associated labor shall import or export on the basis of consent issued by the federal administrative agency responsible for energy and industry in agreement with the federal administrative agency



responsible for foreign commerce. Consent shall be granted at the time of approval of the contract concerning long-term international industrial co-operation, and its validity shall extend over the life of the contract.

#### Article 29

Organizations of associated labor in which foreign persons invest equipment, raw materials or production supplies, or if a contract on investment of resources of foreign persons in a domestic organization of associated labor provides that equipment, raw materials or production supplies imported on the basis of quotas or a permit are to be imported out of the resources of the foreign person, may import them on the basis of consent issued by the federal administrative agency responsible for foreign commerce in agreement with the federal administrative agency responsible for energy and industry. The consent shall be granted at the time of approval of the investment contract and its validity shall extend over the life of the contract.

#### Article 30

Contracts concerning long-term transactions in foreign commerce which organizations of associated labor conclude with foreign persons and in which they assume obligations to export and import goods and services over a period of time longer than one year must obligatorily be submitted to the Economic Chamber of Yugoslavia within forty days from the date of the contract's conclusion or from amendment and supplementation of the contract, unless specific regulations provide otherwise.

#### Article 31

Organizations of associated labor may conclude contracts calling for the export and import of goods and services under compensation deals with foreign countries on the basis of permission of the federal administrative agency responsible for foreign commerce.

More than one organization of associated labor may take part in conducting an international compensation deal, and it may involve more than one kind of goods for export and import, and in that case the participants in the transaction shall by agreement designate the principal who is to conclude the contract concerning that transaction.

On the basis of the consent of the competent authorities of the republics and provinces the Federal Executive Council shall establish the conditions, intervals and manner of approval of international compensation.

#### Article 32

When quotas are being established and allocated and when permits and consent are being issued in the context of the provisions of this law, concern shall be paid to goods produced in wholly owned and joint enterprises abroad and also to the obligations assumed in the contracts referred to in Articles 30 and 31 of this law under which organizations of associated labor assume obligations to export and import over a period longer than one year.



### Article 33

Local border trade shall be carried on in the border zone and maritime zone with neighboring countries in accordance with international treaties which have been concluded and regulations enacted on the basis of this law.

The border zone and the maritime zone with neighboring countries refers in the context of this law to an area defined by international treaty.

If international treaty has not defined the area referred to in Paragraph 2 of this article, the Federal Executive Council shall define that area located within the Socialist Federal Republic of Yugoslavia.

Organizations of associated labor entered in the court register for the particular type of transaction may engage in transactions of exporting and importing goods and services in local border trade.

In establishing the policy of foreign economic relations for the current year the SFRY Assembly shall fix the volume of trade in the border zone.

The organizations of associated labor referred to in Paragraph 4 of this article shall in a self-management accord concluded with the Economic Chamber of Yugoslavia allocate the quantities or values and types of goods being exported and imported in local border trade in accordance with the volume of trade fixed under Paragraph 5 of this article, mindful of the needs of production in the border zone.

If the allocation referred to in Paragraph 6 of this article is not made within sixty days from the date of adoption of the document stating the policy of foreign economic relations, the allocation among individual organizations of associated labor shall be made within the following thirty days by the federal administrative agency responsible for foreign commerce, after first obtaining the opinion of the Economic Chamber of Yugoslavia.

The Federal Executive Council shall prescribe the manner of allocation of goods which may be imported and exported in the context of Paragraph 7 of this article and the manner of reporting and supervision of exports and imports involved in those transactions.

### Article 34

Exports and imports of goods under compensation deals related to international fairs shall be handled as compensation deals within the limits of the total value of exports and imports established for the individual fairs every year by the Federal Executive Council, after first obtaining the opinion of the Economic Chamber of Yugoslavia.

The federal administrative agency responsible for foreign commerce, after first obtaining the opinion of the Economic Chamber of Yugoslavia, shall set forth the commodity list of exports and commodity list of imports in value terms and by types of products for each fair and for each year.

Organizations of associated labor entered in the court register for engaging in foreign commerce may export and import the goods within the framework of compensation deals related to international fairs.

#### Article 35

Exports and imports of goods in regular commodity trade and related to all other forms of foreign commerce shall conform to the prescribed forms of exports and imports, except exports and imports involved in the transactions of long-term international industrial cooperation and investment of the resources of foreign persons in domestic organizations of associated labor.

#### Article 36

The supplying of foreign vessels in domestic seaports, river ports and marinas, foreign vessels under construction or undergoing repairs in domestic shipyards, the supplying of foreign aircraft at domestic airports, the supplying of domestic vessels and domestic aircraft in service on international routes, and the exporting of goods to foreign armed forces, excepting armament and military equipment, may be done by organizations of associated labor entered in the court register for performing these transactions in foreign commerce regardless of the activity they are entered for in the court register for conducting commerce within Yugoslavia.

Organizations of associated labor may export goods to foreign armed forces, excepting armament and military equipment, solely on the basis of a specific permit of the federal administrative agency responsible for foreign commerce.

### 5. Other Provisions Concerning Exports and Imports

#### Article 37

If on the basis of a contract with a foreign person goods are exported or imported after upgrading or if the goods are incorporated into projects within the country on the basis of a registered contract letting the contract for construction of a capital investment project to a foreign contractor, an organization of associated labor shall have the same rights and obligations as though it conducted the exportation or importation in the context of Article 4, Paragraph 2, of this law even though the goods have not crossed the customs line. In those cases the competent customs house shall conduct the export-import customs clearance of the goods.

#### Article 38

An organization of associated labor which is a producer may export and import goods directly if it is entered in the court register for exporting or importing those goods, or it may do so through an organization of associated labor entered in the court register for engaging in foreign commerce.

An organization of associated labor to which the performance of a particular transaction in foreign commerce has been entrusted in the context of Para-

graph 1 of this article shall be required to conduct that transaction itself.

An organization of associated labor entered in the court register for engaging in foreign commerce which conducts a particular transaction in its own name and on its own account may not entrust the performance of that transaction to another organization of associated labor unless the provisions of this law provide otherwise.

#### Article 39

An organization of associated labor which is entered in the courts register for engaging in foreign commerce may conclude a contract with a foreign person concerning the sale or purchase of goods on someone else's account, but in the case of agricultural products and products of the timber and lumber and wood industries, except for finished products, it may perform both preliminary and preparatory actions related to concluding such a contract if it has previously concluded a contract for that quantity of goods which are to be sold or purchased abroad.

The quantity of agricultural products may be determined in a contract on the purchase and sale of goods on the basis of an estimate of the yield or on the basis of an open contract concerning the exports of those products which have been concluded by organizations of associated labor engaged in production and organizations of associated labor engaged in the buying and selling of agricultural products.

#### Article 40

Goods may be imported on the basis of a public competition held in advance, on the basis of bids collected from a certain minimum number of bidders, or on the basis of direct negotiation.

An organization of associated labor, other self-managing organization and community, or agency of a sociopolitical community on whose account goods are being imported shall determine the manner in which the goods are to be imported unless this law or regulations enacted on the basis of it have provided that certain types of goods for particular purposes may be imported only on the basis of the public competition held in advance or on the basis of gathered bids.

#### Article 41

Goods shall be imported on the basis of a public competition held in advance or on the basis of bids gathered from a certain minimum number of bidders in order to choose the most favorable supplier, especially when goods are being imported in sizable quantities and if a sizable number of suppliers or sizable number of importers are interested in the goods.

After first obtaining the opinion of the Economic Chamber of Yugoslavia, the Federal Executive Council shall define in what cases and which types of

goods must be imported on the basis of a public competition held in advance or on the basis of bids gathered from a certain minimum number of bidders and shall prescribe the procedure for conducting the public competition and for gathering bids for the exporting and importing of goods.

The provisions of Paragraphs 1 and 2 of this article shall not pertain to imports of armament and military equipment, nor to equipment and production supplies for production of armament and military equipment in Yugoslavia.

#### Article 42

In a public competition provision must be made for the participation of domestic producers of the goods intended to be purchased abroad, and if bids are gathered, provision must be made so that domestic producers can submit their bids.

If domestic and foreign bidders offer equal conditions, domestic suppliers shall have preference.

If foreign bidders offer more favorable conditions than domestic ones, preference shall be given to the bid of the foreign bidder who goes furthest in employing domestic producers to manufacture the goods being delivered and who furnishes more credit financing to the domestic producer in the production in question or who purchases a greater value of products from domestic producers.

#### Article 43

An organization of associated labor which exports equipment or works on capital construction projects abroad may without importing into Yugoslavia make purchases abroad of a portion of the equipment and supplies in order to round out the equipment delivered or complete the capital investment project which is being built, without restriction up to the value set by the Federal Executive Council, and beyond that value -- on the basis of permission of the federal administrative agency responsible for foreign commerce, which shall issue that permission if the contract with the foreign contracting party stipulates that a portion of the equipment and supplies be purchased abroad or if the relevant portion of equipment and supplies cannot be purchased in Yugoslavia within the stipulated period of time and according to the stipulated standard and at approximately the same price, or if the shipping costs of the materials are considerable because of the distant location of the project being built.

Regulations which apply to imports of such goods into Yugoslavia shall not apply to the purchase of goods in the context of Paragraph 1 of this article.

#### Article 44

The federal administrative agency responsible for foreign commerce may issue permission to a self-managed organization or community, sociopolitical or other public organization, agency of a sociopolitical community or other



social juridical person or civil juridical person, excepting an organization of associated labor as referred to in Article 5 of this law, to conduct an individual transaction in foreign commerce to meet its own needs.

If the organization of associated labor referred to in Article 5 of this law is importing a complete installation or set of equipment, and it needs also to import certain parts which are an integral part of that installation or equipment, but it is not entered in the court register for the importation of those additional parts, the federal administrative agency responsible for foreign commerce may issue permission to the organization of associated labor to import those parts.

#### Article 45

If a contract with a foreign person or international treaties provide that goods being exported are to be accompanied by certain certificates or certain certified papers, those certificates or papers shall be issued or certified by the Economic Chamber of Yugoslavia or the economic chamber of the republic or autonomous province, under the conditions set forth in the Economic Chamber of Yugoslavia, unless regulations designate an administrative agency or other organization.

If under the legislation of the country in which they are to be used the certificates or other documents as referred to in Paragraph 1 of this article need to be legalized by the competent authority in Yugoslavia, the federal administrative agency responsible for foreign commerce shall legalize those certificates or papers.

The Federal Executive Council shall prescribe the manner of issuance of the certificates and the certification of papers accompanying goods being exported and shall define what is meant by "goods of Yugoslav origin."

The regulation referred to in Paragraph 3 of this article may provide that a particular customs agency shall issue certain types of certificates.

#### Article 46

The federal administrative agency responsible for foreign commerce may prescribe that in certain cases organizations of associated labor importing goods must stipulate in the purchase-and-sales contracts the obligation of the foreign sellers to obtain from the competent authorities of their respective countries certificates as to the origin of the goods being exported, and in certain cases from the Yugoslav consular representative in the respective country as well, and that such certificate shall be submitted to the competent authority when the goods are imported.

The federal administrative agency responsible for foreign commerce may prescribe that in certain cases or for certain goods organizations of associated labor exporting goods must stipulate in purchase-and-sales contracts the obligation of the foreign purchaser to obtain from the competent authority of his respective country a certificate to the effect that he is the ultimate user of those goods in the country into which the goods are being

imported and that that certificate shall be submitted to the organization of associated labor exporting the goods.

#### Article 47

Organizations of associated labor, sociopolitical communities and their agencies and organizations, sociopolitical and other public organizations, other social juridical persons and civil juridical persons, may in connection with performance of their respective activities export or ship goods and render services without collection of equivalent value and import or receive goods and services without payment of equivalent value, as follows:

1) organizations of associated labor and other social juridical persons may export and import goods which represent samples and promotional material or serve for testing quality or are left over as a surplus in the transactions of exporting and importing goods; project plans and other technical documentation; spare parts; appliances for machines and devices which have been exported or imported and delivered within the warranty period or exported and imported on the basis of a finding that they were delivered in a defective condition; goods being sent or received for humanitarian, scientific and educational, cultural, health and social-welfare purposes; goods being sent or received as aid to repair the damage of natural disasters and other forms of force majeure and also in cases when reciprocity exists with the country in question, or if this has been provided in international treaties;

2) organizations of associated labor entered in the court register to act as agents of foreign persons may receive tools, measuring instruments and devices sent to them by the foreign person with whom they have concluded a contract concerning agency, concerning the management of an import consignment warehouse and concerning the performance of services, for the purpose of rendering services within the limits of the contract concluded;

3) sociopolitical communities and their agencies and organizations, sociopolitical and other public organizations, other social juridical persons and civil juridical persons may send and receive goods and receive and render services for humanitarian, scientific and educational, cultural, health, social-welfare, athletic, religious and other noncommercial purposes.

Representative offices of foreign persons and other foreign organizations may import capital assets and expendables necessary for their operation.

The export and the import or receipt and sending of goods and the receiving and rendering of services in the context of this article shall be done without restriction.

As an exception to Paragraph 1 of this article other goods and services may also be exported and imported without collection or payment of equivalent value on the basis of permission of the federal administrative agency responsible for foreign commerce.

The federal administrative agency responsible for foreign commerce shall prescribe the quantities, values and purposes for the particular types of

goods referred to in Paragraph 1 of this article and shall define the manner of declaration and supervision of exports and imports or shipping and receipt of goods referred to in that paragraph.

#### Article 48

Armament and military equipment may be exported and imported solely on the basis of permission of the Federal Secretariat for National Defense.

Armament and military equipment may be exported and imported by organizations of associated labor which obtain the permission of the Federal Secretariat for National Defense regardless of the line of business for which they are entered in the court register.

#### Article 49

The provisions of Articles 16 through 27 of this law shall not apply to imports of armament and military equipment nor to imports of finished products, semifinished products, assemblies, subassemblies, parts, production supplies, raw materials, equipment and other products, nor to the rendering of services which are especially important to the production of armament and military equipment.

The goods and services referred to in Paragraph 1 of this article shall be imported on the basis of a permit issued by the Federal Secretariat for National Defense.

#### Article 50

The provisions of this law shall not apply to foreign commercial transactions conducted directly by the Federal Secretariat for National Defense to meet the needs of the armed forces of the Socialist Federal Republic of Yugoslavia or by decision of the Federal Executive Council to discharge Yugoslavia's international obligations.

The federal secretary for national defense shall prescribe the manner of conduct of the foreign commercial transactions referred to in Paragraph 1 of this article.

#### Article 51

In order to conclude a contract on the export or import of narcotic drugs an organization of associated labor must first obtain the permit of the competent federal administrative agency in the context of the law regulating the production and sale of narcotic drugs.

#### Article 52

Goods and services for sociopolitical communities and their bodies, agencies and organizations may be imported up to the established volume of payment for that purpose in accordance with the federal law regulating foreign exchange transactions.

In the case of goods being imported under Paragraph 1 of this article which under regulations are to be imported on the basis of quotas, a certificate has to be obtained from the appropriate general association to the effect that domestic producers cannot deliver the goods in question in the specified quantity and quality and within the specified time.

A permit for importation needs to be obtained from the competent federal administrative agency for goods being imported under Paragraph 1 of this article which under regulations are to be imported on the basis of a permit.

## 6. Temporary Exportation and Importation

### Article 53

Goods may be exported or imported temporarily for the purpose of rendering services to foreign persons and to use the services of foreign persons, as well as in other cases when goods are exported under the obligation of their return to Yugoslavia within a specified period in the same or altered condition, or when goods are imported under the obligation of their return abroad within a specified period in the same or altered condition.

The following may be exported or imported temporarily in the context of Paragraph 1 of this article:

- 1) goods for the purpose of upgrading (manufacturing, processing and finishing) and repairs;
- 2) animals for breeding, seed, nursery stock and transplants, and other material for the reproduction of plants and animals;
- 3) production supplies (raw materials, auxiliary supplies or semifinished products) or assemblies and finished parts for incorporation used in the production of goods being exported or imported;
- 4) tools and other implements for assembly of the equipment being exported or imported;
- 5) goods for the purpose of testing, presentation or conduct of an experiment;
- 6) goods for the purpose of sale on commission;
- 7) goods being exhibited in international fair events, exhibitions and other events and other articles used in arranging space at fairs and exhibitions;
- 8) instruments, gear, articles, animals and other things intended for cultural and artistic, athletic and other events or for filmmaking;
- 9) containers, packing and protective equipment and similar things intended for the receiving or shipment of goods;



- 10) articles for the official needs of diplomatic and consular missions;
- 11) articles for the official needs of foreign news bureaus, information institutions and representative offices of foreign commercial, tourist, airline and construction firms in Yugoslavia, on condition of reciprocity;
- 12) automobiles, professional equipment, yachts and recreational boats;
- 13) spare parts for performing services on the vehicles of foreign persons;
- 14) goods and equipment for doing work on capital investment projects abroad.

Organizations of associated labor may temporarily export or import equipment for a certain period of time on the basis of leasing (machines, appliances, devices, vehicles and transportation equipment, instruments, etc.) for use in the process of production and the rendering of services.

It is mandatory that the leasing contract contain the term of the lease, and it may also provide that at the end of the contract period the lessee shall retain the equipment temporarily exported or imported.

#### Article 54

The provisions of this law on regulation of exports and imports of goods on the basis of quotas, permits and consent shall not apply to goods being exported and imported temporarily unless this law provides otherwise.

After expiration of the specified period of time the organization of associated labor shall be required to return the goods temporarily exported or imported in the same or altered condition to Yugoslavia or abroad. The supervision of customs authorities over the goods temporarily exported or imported shall be provided for during the temporary export or import.

Goods exported or imported temporarily may not be used for other purposes than those for which they were temporarily exported or imported.

A temporary import or export of goods shall be allowed by the customs house under the conditions prescribed by federal law and the regulations enacted on the basis of federal law.

#### Article 55

Organizations of associated labor may engage in the upgrading of goods (processing, finishing and working) furnished for upgrading by a foreign customer or an organization of associated labor entered in the court register for the business of acting as intermediary in foreign commerce, and they may give such goods to a foreign person for upgrading. These transactions may take place in several phases and they may be conducted by several organizations of associated labor or foreign persons.

For the purpose of this law "manufacturing" means all actions of upgrading in the production process whereby the basic characteristics of the goods imported temporarily are altered.

For the purpose of this law "processing" means actions whereby the imported goods are upgraded such as printing, dying, cleaning, grading, quality testing, packaging, etc., or when other goods are added to it to be built in, sewn in, mixed in, etc., if the basic characteristics of the goods imported temporarily are not altered in that process.

For the purpose of this law "finishing" refers to any mechanical, chemical or other process undertaken in order to finish and improve the quality of products without addition of the same goods or other type of goods.

An organization of associated labor may pay or collect for the service of upgrading in kind on the basis of a permit of the federal administrative agency responsible for foreign commerce. The regulations regulating exports and imports of the commodities in question shall apply to exports and imports of goods on that basis.

#### Article 56

On the basis of consent of the competent bodies of the republics and provinces the Federal Executive Council shall prescribe which goods, for what purposes and in what cases may be temporarily exported or imported for use in the context of Article 53 and 54 of this law, and also in other cases to determine in more detail the kind and purpose of temporary importation and exportation of equipment on a lease basis, and shall fix the periods for temporary exportation and importation and define in more detail the conditions for rendering the services of the upgrading of goods. That regulation may state that certain equipment may be imported temporarily on a leasing basis if consent of the competent federal administrative agency or the Economic Chamber of Yugoslavia is obtained.

### 7. Business Services and Other Forms of Foreign Commerce

#### Article 57

For the purpose of this law "business services in foreign commerce" refers specifically to the following: the business of international forwarding, the business of international freight and passenger transportation, international shipping and travel agents, the foreign tourist business, the business of checking under contract the quality and quantity of goods in international trade, performance of work on capital investment projects abroad, representation of foreign persons by agents, the business of brokering in foreign commerce, port services, the public warehouse business, postal, telegraph and telephone services, the towing business, the salvaging and raising of ships and other vessels, the piloting of vessels and technical maritime jobs on the sea and the seabed, airport services, the business of international fairs, pipeline transport services, the services of advertising and promotion, the services of supervision and inspection of the construction of vessels and other installations, as well as other business services which are rendered in commerce with foreign countries, provided the

organizations of associated labor are entered in the court register for the rendering for such services in foreign commerce, unless this law provides otherwise.

An organization of associated labor entered in the court register for rendering business services with foreign countries may also act as agent of a foreign person rendering the relevant services without separate entry into the register for representation of foreign persons as their agent.

#### Article 58

For the purpose of this law the business of international forwarding refers to the functions of organizing, shipping and receiving goods and foreign commerce performed by organizations of associated labor in their own name, but on the order and on the account of a client.

The business referred to in Paragraph 1 of this article shall specifically consist of the conclusion of the transportation contract, the shipment of goods to and from the vehicle, the presentation or obtaining of bills of lading and the like, conclusion of contracts for insurance and storage of goods, actions related to the customs clearance of the goods and checking the computation of the shipping charges.

#### Article 59

For the purpose of this law the business of international freight and passenger transportation refers to the rendering of services of carrying freight and passengers international rail, highway, maritime, air, river and lake transportation.

#### Article 60

For the purpose of this law international travel and shipping agents are engaged in the business of representation and brokering in the carrying of freight and passengers in international rail, highway, maritime, air, river and lake transportation and the performance of the prescribed or customary incidental tasks related to that transportation.

The business referred to in Paragraph 1 of this article specifically refers to reserving space in a vehicle for the goods of a customer, guaranteeing the necessary quantity of goods in order to use the customer's vehicle, the rendering of services or intermediation in the rendering of services for use of a vehicle for carrying goods, passengers and cargo and to meet the needs of the crew and passengers, the sale of tickets and other jobs related to acting as agent and intermediary in international commerce.

An organization of associated labor acting as an international travel or shipping agent shall conclude a contract concerning the transactions of international shipping or travel agents in the name and on the account of the client or shall only act as intermediary in the conclusion of those contracts.

#### Article 61

For the purpose of this law the foreign tourist business refers to the rendering of services to foreign persons, specifically: the rendering of hostelry services (lodgings, meals, etc.), the organizing and conduct of tourist trips and excursions in Yugoslavia and abroad, organizing visits to cultural, business, athletic or other events, organizing recreational hunting and fishing, the rendering of transportation services in international tourist transportation, the renting out of motor vehicles and vessels, the receiving, safekeeping and maintenance of foreign vessels and the rendering of the services of games of chance.

#### Article 62

Hostelry organizations of associated labor and their business associations may also contract for rendering their own hostelry and other services to foreign tourists and travelers and foreign tourist organizations in Yugoslavia even though they are not registered in the court register for rendering those services in foreign commerce.

#### Article 63

Individual services of recreational hunting and fishing to foreign persons may be rendered by organizations engaged in recreational fishing and hunting and the raising of game and fish in Yugoslavia even if they have not been entered in the court register for rendering those services in foreign commerce.

The services of renting out airplanes, motor vehicles and vessels, of receiving and guarding foreign motor vehicles and vessels may be rendered by organizations of associated labor which are entered in the court register for rendering such services in Yugoslavia even if they have not been entered in the court register for rendering such services in foreign commerce.

#### Article 64

For the purpose of this law the business of inspection of goods in foreign commerce for quality and quantity under contract refers to checking the quality, quantity and other characteristics of goods which is done on the basis of a contract concluded by the organization of associated labor for conducting that inspection and the client, above all in order to establish that the quality, quantity and other characteristics of the goods meet the conditions stated in the contract concluded between the purchaser and the seller of the goods.

The contract on inspection of goods as to quality and quantity concluded between the purchaser of the goods and the organization of associated labor which performs the inspection at the purchaser's order may also provide for acceptance of the goods as to quality and quantity on the account of the purchaser and the guarantee of the organization of associated labor which checks the quality, quantity and other characteristics of the goods which are inspected.



The organization of associated labor which checks the quality and quantity of goods in foreign commerce may also perform the prescribed or customary incidental activities related to that inspection such as checking the packaging and shipment of the goods, checking the loading, unloading, transshipment, transport and stowing of the goods in the vehicle, checking the storage space, checking vehicles, performing expert evaluation and the like.

An organization of associated labor engaged in the business referred to in Paragraphs 1 through 3 of this article must issue to the client the appropriate certificate in writing concerning the inspection performed or other tasks performed as enumerated in those paragraphs and shall be accountable for the accuracy of the document and the data contained in it.

#### Article 65

The performance of work on capital investment projects abroad refers to business services in foreign commerce which are performed in conformity with the federal law regulating the performance of work on capital investment projects abroad.

In the regulation referred to in Article 41 of this law the Federal Executive Council may specify that for the purchase of capital assets for performance of capital investment projects abroad the holding of a public competition or the gathering of bids from a certain minimum number of domestic bidders shall be mandatory.

#### Article 66

An organization of associated labor in the production sector which is entered in the court register for exporting complete sets of machinery or for exporting equipment may also perform the task of installing the machinery or equipment it has exported without a separate entry in the court register.

#### Article 67

An organization of associated labor entered in the court register for performance of work on capital investment projects abroad may export and purchase abroad equipment, production supplies and other supplies and gear necessary for the work it is doing on capital investment projects abroad and goods intended for the personal consumption of workers in its operations abroad without separate entry in the court register.

#### Article 68

For the purpose of this law the business of representing foreign persons as their agent refers to the following:

- 1) the performance of tasks in the name and on the account of a foreign person which precede the conclusion of contracts on the purchase and sale of goods or contracts on the rendering of services, bringing a foreign person into contact with organizations of associated labor for the purpose of

conclusion of such contracts, and the performance of jobs pertaining to the performance of those contracts;

2) the conclusion of contracts on the purchase or sale of goods or contracts on the rendering of services in the name and on the account of a foreign person;

3) the maintenance of an import consignment warehouse for foreign goods for the purpose of sale;

4) the operation of a service center for maintaining imported equipment and durable consumer goods and the rendering of technical and other services.

Organizations of associated labor engaged in the business of representing foreign persons as their agent shall bring the foreign persons whom they represent into contact with domestic organizations of associated labor in the production sector and shall take part in the tasks of organizing long-term industrial cooperation, joint ventures and business-technical cooperation and shall participate in such transactions with their own resources, as well as in making imports of the goods of the foreign persons they represent contingent upon the exporting of domestic goods.

The business referred to in Paragraph 1 of this article may be conducted if a contract on representation as agent has been concluded in writing with the foreign person, and the business referred to in Paragraph 1, Subparagraphs 3 and 4, of this article may be engaged in if a contract concerning those functions has been concluded in writing with the foreign person in addition to the contract concerning representation of the foreign person as his agent. These contracts shall be recorded in the Economic Chamber of Yugoslavia.

The contracts referred to in Paragraph 3 of this article shall be concluded for representation throughout the Socialist Federal Republic of Yugoslavia unless this law provides otherwise.

An organization of associated labor engaged in the business of representing foreign persons may as a rule conclude a contract on representation of a foreign person engaged in production activity.

An organization of associated labor engaged in the business of representing foreign persons may conduct the business of representation within the limits of its commercial line of business.

An organization of associated labor engaged in the business of representing foreign persons may without separate entry in the court register for engaging in transactions of exporting and importing goods import goods which the foreign person has entrusted to it in an import consignment warehouse for the purpose of sale and may export goods to meet the needs of the foreign person whom it represents.

An organization of associated labor engaged in the business of representing foreign persons may represent the foreign person on foreign markets.

After obtaining the opinion of the Economic Chamber of Yugoslavia the Federal Executive Council shall issue a regulation on the business of representing foreign persons in Yugoslavia.

#### Article 69

For the purpose of this law the business of supplying foreign vessels in domestic seaports, river ports and marinas, foreign vessels under construction are undergoing repairs in domestic shipyards, and foreign aircraft at domestic airports and domestic vessels and domestic aircraft in service on international routes means supplying goods from duty-free stores, import consignment warehouses and specialized warehouses for foreign goods and goods of domestic manufacture, and the supplying of vessels and other vehicles of public carriers in international maritime, air and river transportation from foreign trade zones.

The specialized warehouses for foreign goods and goods of domestic manufacture may in accordance with federal law be opened in seaports and river ports open to international traffic, in centers for nautical tourism, and in marinas.

In the context of Paragraph 1 of this article the business of supplying refers to the supplying of foreign physical persons and passengers in international transportation.

#### Article 70

For the purpose of this law the business of brokering in foreign commerce refers to the following:

- 1) the importation of goods for reexport in unaltered or essentially unaltered condition;
- 2) the purchasing of goods abroad and importation of such goods from abroad and the export of goods abroad in the same quantity and from the same tariff classification in the Customs Tariff (remplacement);
- 3) the purchasing of goods in Yugoslavia and abroad, their storage in domestic customs warehouses and their sale abroad in unaltered condition;
- 4) the purchase of goods abroad and their direct sale abroad;
- 5) intermediation in the marketing of foreign goods on a foreign market;
- 6) the purchasing of goods abroad for industrial manufacturing, processing and finishing in domestic organizations of associated labor in the production sector, and also the payment for the services of processing, manufacturing and finishing of those goods and the exporting of those goods;
- 7) performance of transactions related to the conduct of brokering business in foreign commerce, such as conversion, arbitration, the taking of collec-

tion in certain foreign currencies accompanied by corresponding payment in foreign currencies important to maintaining liquidity in international payments, etc.

The transactions referred to in Paragraph 1, Subparagraphs 1, 3 and 6, of this article shall be conducted as temporary exports and imports.

The transactions referred to in Paragraph 1, Subparagraphs 1 through 6, of this article shall be subject to the approval of the federal administrative agency responsible for foreign commerce, and the transactions referred to in Paragraph 1, Subparagraph 7, of this article by the federal administrative agency responsible for finance. The permits may cover one or several forms of transactions of brokering in foreign commerce as referred to in Paragraph 1 of this article.

An organization of associated labor entered in the court register for the business of brokering in foreign commerce may take over goods on international credit from an organization of associated labor that is the user of that credit and perform the transactions with those goods referred to in Paragraph 1 of this article on its account.

The Federal Executive Council shall prescribe the manner of approval of the transactions referred to in Paragraph 1 of this article and the manner of reporting, recordkeeping and supervision of those transactions.

#### Article 71

For the purpose of this law the business of rendering port services refers to all services of transshipment in seaports and river ports (storage, safekeeping and sorting and other similar services performed in seaports and river ports), provided they are performed in seaports and river ports open to international traffic of public carriers and are performed by organizations of associated labor engaged in the business of transshipment and other organizations.

The services of storage, safekeeping and sorting and other similar services rendered in warehouses may also be offered by organizations of associated labor in railroad stations and other places in international transportation of public carriers.

#### Article 72

For the purpose of this law the business of rendering airport services refers to the rendering of services to foreign persons at airports involved in international air traffic, but especially; the receiving and dispatching of foreign goods and passengers in air traffic, services related to the landing, taking off and overflying of foreign aircraft, the receiving, supplying and dispatching of foreign aircraft, etc.

#### Article 73

For the purpose of this law the business of international fairs refers to the organizing of fairs and exhibitions, salons and other forms of presenta-



tion of business and other activities within the country and abroad and the rendering of services in the domain of marketing to the exhibitors and other business people for the purpose of promotion of fair activity, the services of storing goods and exhibition equipment and other services within the domain of organizing international fairs.

#### Article 74

For the purpose of this law advertising and promotion refers to the functions of market testing and processing (marketing), improvement of business and tourist advertising and promotion, the conduct of advertising campaigns and other services related to that business, the preparation and presentation of posters and advertising placards, the dressing of display windows, booths at fairs, etc.

#### Article 75

For the purpose of this law pipeline transport business refers to the transport of crude and refined petroleum, natural gas and other materials by pipeline.

#### Article 76

For the purpose of this law the public storage business refers in particular to the use of structures for storage (silos, public warehouses, free trade zones, etc.) and the management of those facilities.

#### Article 77

The Federal Executive Council may prescribe the conditions under which the business services of foreign persons may be used in foreign commerce.

#### Article 78

Organizations of associated labor entered in the court register for rendering airport services may sell foreign goods in duty-free stores on the basis of a contract concluded concerning representation of the foreign person exclusively to sell foreign goods in such stores.

#### Article 79

An organization of associated labor engaged in foreign commerce and an organization of associated labor in the production sector which is not entered in the court register for engaging in foreign commerce may participate in international exhibitions, fairs and the like, and either on their own or with other organizations of associated labor they may also organize exhibitions, fairs and the like abroad.

#### Article 80

Organizations of associated labor entered in the court register for engaging in foreign commercial transactions of supplying vehicles and passengers in

seaports, river ports, nautical centers, marinas and at border crossings may consistent with federal law sell goods in duty-free stores, import consignment warehouses and specialized warehouses for foreign goods and goods of domestic manufacture.

Goods shall be placed in duty-free stores, import consignment warehouses and specialized warehouses for foreign goods and goods of domestic manufacture in conformity with the federal law regulating the customs clearance of goods and customs supervision.

Foreign exhibitors from the developing countries may sell handicrafts and articles made by artisans at international fairs in Yugoslavia for dinars up to the value necessary to pay the costs of exhibiting at the fair, customs duties and other import charges.

The Federal Executive Council shall prescribe the type of costs which may be paid in the context of Paragraph 3 of this article and the manner and supervision of the sale of handicrafts and articles of artisans as referred to in Paragraph 3 of this article.

#### Article 81

On the basis of the consent of the competent authorities of the republics and autonomous provinces the Federal Executive Council shall prescribe the conditions for the business operation of representative offices of foreign persons in Yugoslavia.

The regulations issued in the context of Paragraph 1 of this article may provide that a federal administrative agency will issue a permit and define conditions in more detail for the operation of individual representative offices of foreign persons in Yugoslavia.

#### Article 82

Exports of goods and services, the rendering of services to domestic persons in international transportation and the refunding of shipping charges when goods are imported from certain countries shall be stimulated by the policy of the real exchange rate of the dinar, by development policy, by the system and mechanism for tax, customs and other rebates, by credit-and-monetary policy, and by other measures of economic policy.

The SFRY Assembly, on recommendation of the Federal Executive Council, shall each year, simultaneously with enactment of the federal budget, establish the portion of revenues from customs duties and other import charges, indicated as a percentage, which is not to go into the federal budget, but which is to be transferred to a separate account of the federal administrative agency responsible for foreign commerce for the drawback of duties and other charges by organizations of associated labor which are exporters and also for general business promotion and the activity of general tourist informa-

tion directed abroad - into a special account of the Economic Chamber of Yugoslavia.

The SFRY Assembly may decide that revenues on the basis of certain import charges shall not be credited to the federal budget and shall be entirely transferred to the special account of the federal administrative agency responsible for foreign commerce for the refunding of customs duties and other charges to organizations of associated labor which are exporters.

The base for computation of the tax, duty and other refunds shall be determined by applying the average exchange rates of foreign currencies established at the interbank meeting of the unified foreign-exchange market which was in effect on the day when the collection was made, provided the foreign exchange was collected within 60 days from the date when the exportation took place, but after that period at the rate of exchange in effect on the sixtieth day from the date of export. In the case of exporting on credit, the exchange rate used shall be the one in effect as of the date of collection of the payment within the stipulated period, and if collection was made after that period, at the rate of exchange in effect on the last day of the stipulated period.

The right to compute tax, duty and other refunds in cases envisaged by Article 49 of the Law on Foreign Exchange Transactions shall be exercised concerning collections of claims on that basis abroad.

Consistent with the policy for promotion of exports, the Federal Executive Council shall prescribe the refunding of duty, tax and other charges and other measures referred to in Paragraph 1 of this article.

Before enacting the regulation referred to in Paragraph 6 of this article, The Federal Executive Council shall collaborate with the competent authorities of the republics and provinces.

In order to stimulate exports of goods and services organizations of associated labor which are exporters and importers and other interested organizations may through a self-management accord pool their resources and establish special funds for those purposes.

On the recommendation of the National Bank of Yugoslavia and after obtaining the opinion of the Economic Chamber of Yugoslavia, the Federal Executive Council shall prescribe the methodology for establishing a dinar amount which derives from substitution of foreign exchange and which is to be calculated into the base for stimulation of exports of services which organizations of associated labor render to foreign persons.

The base for computation of tax, duty and other refunds for services rendered to foreign persons in international transportation shall be the dinar amount collected for services between foreign points.

## **8. Collaboration of Organizations of Associated Labor in Foreign Commerce**

### **Article 83**

Organizations of associated labor engaging in foreign commerce with a particular country or group of countries shall be required to organize themselves in sections for promotion of foreign economic relations with the Economic Chamber of Yugoslavia in order to reconcile mutual interests and carry out the joint policy in the domain of foreign economic relations as set forth in the social plan of Yugoslavia and other official acts, pursuant to the bylaws of the Economic Chamber of Yugoslavia.

Interested organizations of associated labor in the production sector may also join the section for promotion of foreign economic relations in the Economic Chamber of Yugoslavia.

In order to achieve the goals state in Paragraph 1 of this article organizations of associated labor engaging in foreign commerce which are organized in a section shall specifically set forth the manner of their organized effort in a particular country or group of countries, shall set forth the general conditions for the conduct of business, in conformity with regulations, shall analyze the situation on foreign markets, and shall inform one another about developments on foreign markets, and shall monitor and guide the work of representative offices of the Economic Chamber of Yugoslavia abroad and of enterprises and other forms through which organizations of associated labor conduct their business activity abroad, and they shall collaborate with diplomatic and consular missions abroad.

The tasks of the sections and the manner of their operation shall be defined in more detail in the general act of the section, pursuant to the bylaws of the Economic Chamber of Yugoslavia.

An organization of associated labor as referred to in Paragraph 1 of this article which considers that a general act of a section has violated its self-management rights may file suit in a court of associated labor.

Sections may adopt binding conclusions and decisions for performance of their tasks under the condition and in the manner set forth in the bylaws of the Economic Chamber of Yugoslavia and the general act of the section.

The conclusions and decisions adopted in the context of Paragraph 6 of this article shall be binding on the organization of associated labor referred to in Paragraph 1 of this article even if its representative was not present when the conclusion or decision was adopted.

The binding conclusions and decisions referred to in Paragraph 6 of the article shall be adopted by sections in exercise of the public authority of the Economic Chamber of Yugoslavia.

### **Article 84**

Organizations of associated labor shall be required in a section in the Economic Chamber of Yugoslavia to regulate and guarantee a joint and coordi-



nated effort on a foreign market. To that end they may in a self-management accord regulate the organization of exports or imports and the joint effort on the market of the country in question, designate the coordinators and principals in carrying on the joint business, pool resources for purposes jointly established, and enter into agreement about other forms of mutual collaboration in order to promote foreign commerce with the country or group of countries in question.

Organizations of associated labor carrying on foreign commerce on a particular foreign market and exporting or importing certain goods and services shall within sections regulate all matters important to elimination of disloyal competition on that market and set forth the general conditions for the sale and purchase of goods and rendering or use of services in foreign commerce.

In the conduct of foreign commerce with a particular country or on a particular market organizations of associated labor shall be required to adhere to self-management accords which have been concluded and conclusions of the section adopted pursuant to the provisions of Article 83 of this law.

The Economic Chamber of Yugoslavia shall publish the self-management accords referred to in Paragraph 1 of this article in GLASNIK PRIVREDNE KOMORE JUGOSLAVIJE within eight days from the date of their conclusion.

#### Article 85

If organizations of associated labor engaged in foreign commerce on a particular foreign market or with a particular commodity or particular services do not make provision for the necessary collaboration in the conduct of that commerce and thereby threaten achievement of the envisaged volume and structure of foreign visible trade and performance of trade and payments agreements and other international treaties regulating foreign commerce, the Federal Executive Council may prescribe the manner in which such commerce is to be conducted.

#### Article 86

The Economic Chamber of Yugoslavia shall adopt an act regulating business relations with certain foreign persons abroad engaged in foreign commerce.

### 9. Imports and Exports by Physical Persons

#### Article 87

Domestic physical persons may not engage in foreign commerce.

Foreign physical persons may not engage in foreign commerce in Yugoslavia.

#### Article 88

The rendering of services by domestic physical persons to foreign persons in Yugoslavia who render those services within the limits of a legally permit-

ted activity on the basis of self-employment shall not be considered foreign commerce in the context of this law if collection for those services is made in dinars.

#### Article 89

A domestic physical person and a foreign physical person may import, carry in or receive from abroad or export, carry out or send abroad articles pursuant to the provisions of this law and regulations enacted on the basis of it, in quantities which are not intended for sale.

The persons referred to in Paragraph 1 of this article coming to Yugoslavia for a temporary stay or going abroad for a temporary stay may temporarily import, carry in or receive from abroad or temporarily export, carry out or send abroad articles they need during their temporary stay in Yugoslavia or abroad.

#### Article 90

Domestic physical persons and foreign physical persons may import, carry in and receive the following from abroad:

- 1) articles of personal luggage and other articles which serve their personal needs and the personal needs of members of their family and articles to meet the needs of their household;
- 2) articles envisaged by intergovernmental treaties;
- 3) medicine, orthotic, orthopedic and other aids, specific equipment, devices and instruments, including spare parts and expendables used to meet the needs of persons suffering from serious illnesses and persons with physical impairments;
- 4) books, magazines and other printed matter in the domains of science, culture and art and works of art and art objects;
- 5) decorations, commemorative or other medals, athletic and other trophies, and other articles received abroad in competitions, exhibitions, performances and other events;
- 6) parts of motor vehicles, except the body, chassis and engine which are imported in order to replace worn out or destroyed parts of motor vehicles registered in Yugoslavia;
- 7) articles inherited abroad.

#### Article 91

Domestic physical persons may import machines and equipment, parts to maintain such equipment, and production supplies used in carrying on an activity

in self-employment permitted by regulations, and persons who live in a border zone may import their own products of cropping and livestock raising.

Domestic physical persons who have been employed abroad at least two years without interruption or who over a period of four years have spent at least 24 months in temporary employment abroad or who have spent at least four continuous years abroad, foreign physical persons who have acquired the citizenship of the Socialist Federal Republic of Yugoslavia and foreign nationals who have obtained asylum or a permit for permanent residence in Yugoslavia, may within a period of three years from the date of return, immigration, receiving asylum or receiving permission for permanent residence in Yugoslavia import the following:

- 1) household effects;
- 2) machines and equipment they need to carry on an activity in self-employment permitted by law or to engage in farming;
- 3) parts to maintain machines and equipment and production supplies to carry on the activity in question;
- 4) machines and equipment which are to be pooled in a contract organization of associated labor;
- 5) articles which have been used abroad for training in educational institutions.

The articles referred to in Paragraph 2, Subparagraph 1, of this article may be imported within one year from obtaining the right to import in the context of that paragraph.

Domestic physical persons who are self-employed may import machines and equipment pursuant to the regulation enacted on the basis of the authority granted in Article 96 of this law in order to perform a contract concerning cooperation or other forms of business collaboration with organizations of associated labor.

#### Article 91

Domestic physical persons (Yugoslav nationals) may import equipment for their work and conduct of business pursuant to the regulations governing the conditions under which and the manner in which organizations of associated labor may obtain equipment for work and the conduct of business from individuals.

#### Article 93

Foreign physical persons may import as follows:

- 1) heads of foreign states and emissaries of heads of foreign states on special mission and members of their escort - articles intended for their official and personal needs;

2) heads of foreign diplomatic missions in Yugoslavia and the diplomatic personnel of those missions and members of their immediate families, consular personnel of foreign consular missions in Yugoslavia and members of their immediate families - articles intended for their personal needs;

3) personnel of foreign diplomatic missions and consular missions in Yugoslavia - articles for the needs of their household as well.

Foreign physical persons may carry or send abroad from Yugoslavia articles which they have acquired on the basis of inheritance or on some other basis and articles purchased during their stay in Yugoslavia, in accordance with international treaties and the rights of reciprocity with the country in question. Articles which may be carried out subject to permission of the competent authority may be carried out only after permission has been obtained.

#### Article 94

Domestic and foreign physical persons may purchase articles which serve their personal needs and the personal needs of members of their families, articles to meet the needs of their household, motor vehicles, parts for motor vehicles and capital assets, parts to maintain capital assets and production supplies used in carrying on an activity permitted by regulations on the basis of self employment or for farming from organizations of associated labor representing foreign persons as their agents and maintaining import consignment warehouses of foreign goods in Yugoslavia or abroad through organizations of associated labor entered in the court register for engaging in foreign commerce.

As an exception to the provision of Paragraph 1 of this article motor vehicles may be imported directly from abroad by persons who have spent a certain time employed abroad temporarily or who have spent a certain time abroad, and certain categories of disabled persons.

#### Article 95

Domestic physical persons who are self-employed may export the products of their work abroad pursuant to a contract on business collaboration and cooperation with an appropriate organization of associated labor in the production sector, through an organization of associated labor entered in the court register for engaging in foreign commerce.

#### Article 96

The Federal Executive Council shall prescribe the type and quantity or value of articles which may be exported and imported temporarily by domestic and foreign physical persons in the context of Article 89 of this law and which may be imported in the context of Article 90, Paragraph 1, Subparagraph 1; Article 91, Paragraph 1, and Paragraph 2, Subparagraphs 1, 2, 3 and 5, and Article 94, Paragraph 2, of this law, the manner of export and import, and the supervision of export and import to be exercised by customs authorities.



## 10. Reporting of Contracts Concerning Foreign Commercial Transactions Concluded

### Article 97

Organizations of associated labor and other social juridical persons engaged in foreign commerce shall be required within the prescribed period, which shall commence on the date when a contract is concluded with a foreign person or on the date when a contract was approved by the competent authority or on the date when the contract was entered in the register by the competent authority, to file a report on the contract concluded or a report on dissolution of the contract concluded or on termination of a contract in some other manner. The report on a contract concluded and the report on dissolution of a contract concluded or termination of a contract in some other manner shall be filed with the fully authorized bank.

The bank referred to in Paragraph 1 of this article shall refuse to accept the report on a contract concluded if it finds from the data in the report and from the appended documentation that the contract concluded concerning foreign commerce is not in conformity with regulations.

The bank's decision to refuse acceptance of a report on a contract concluded, as referred to in Paragraph 1 of this article, shall be final in administrative proceedings.

Proceedings concerning a complaint in an administrative dispute shall be urgent.

### Article 98

Acceptance of a report on a contract concluded as referred to in Article 97 of this law by the bank referred to in Article 97, Paragraph 1, of this law shall not relieve the organization of associated labor or other social juridical person of responsibility should it be subsequently determined that a regulation was violated.

The Federal Directorate for Sales and Reserves of Special-Purpose Products shall file the report of a contract concluded and the report of dissolution of a contract concluded or other termination of a contract as referred to in Article 97 of this law with the National Bank of Yugoslavia, in the manner prescribed by this law.

### Article 99

The official who heads the federal administrative agency responsible for foreign commerce shall prescribe the periods of time for filing the reports referred to in Article 97, Paragraph 1, of this law and the manner for bringing reports which have been filed into conformity with the regulations in effect at the time when the transaction is conducted.

The National Bank of Yugoslavia shall issue an instruction as to the filling out of the reports referred to in Article 97, Paragraph 1, of this law.

The regulation referred to in Paragraph 1 of this article may as an exception provide that organizations of associated labor and other juridical persons shall in certain cases not be required to submit a report on a contract concluded concerning the rendering of certain business services, the sale of certain goods by mail, and other similar cases.

#### Article 100

Customs authorities shall in conducting customs examination of goods verify that the condition of the goods being exported or imported does correspond with respect to the form of export and import to the data in the document submitted for customs clearance of the goods. The provisions of federal regulations governing the conduct of inspection in the customs clearance of goods shall apply in performance of the supervision.

#### Article 101

Organizations of associated labor are required to include in a contract with foreign persons clauses containing the elements that guarantee successful performance of that contract, mindful of good business practices, general and special usages, business ethics, and protection and security of their own interests and those of the society at large.

Aside from the essential elements of a contract (the subject matter of the contract, prices, etc.), the contract referred to in Paragraph 1 of this article must also fix the time for performance of the obligations, the relevant assurances for performance of contracts, and all other elements which guarantee performance of the contract.

The contract referred to in Paragraph 1 of this article must state who is to settle disputes which arise and the manner in which this is to be done.

#### Article 102

In connection with concluding contracts with foreign persons organizations of associated labor may request a legal opinion from the Federal Solicitor General's Office. The Federal Solicitor General's Office shall be required to offer an opinion within thirty days from the date of receipt of the request.

If the Federal Solicitor General's Office finds that performance of the obligations contained in the contract could cause major damage to the organization of associated labor, it shall make its opinion known to the bodies of management of that organization and propose to them that they take steps to avert or minimize that damage.

The Federal Executive Council may order that organizations of associated labor shall be required to obtain the opinion of the Federal Solicitor General's Officer before concluding a certain type of contract or a contract exceeding a certain value and set forth the conditions under which and the

manner in which the Federal Solicitor General's Office shall furnish its opinion.

#### Article 103

Organizations of associated labor and other juridical persons engaging in foreign commerce shall be required to notify the Federal Solicitor General's Office of the possibility of a dispute arising, of any dispute, of the outcome of a dispute which they or enterprises which they have established abroad have instituted against a foreign person and also of a dispute which a foreign person is conducting against them or against enterprises which they have established abroad, regardless of whether the case is coming before a Yugoslav or foreign court arbitration commission or other body.

The notification of intention to initiate a dispute shall be filed no later than thirty days before the date when the dispute is commenced, and notification of a dispute instituted by a foreign person shall be made immediately after receipt of the complaint, but no later than three days from the date of receipt of the complaint. If because of the danger that the time for filing a motion will expire or the time specified by law will expire for filing a complaint the report cannot be submitted before the dispute is instituted, the organization of associated labor or other user of social property shall institute the dispute and at the same time notify the Federal Solicitor General's Office.

The report shall contain information on the parties to the dispute, the subject matter and value of the dispute, the business and other relation out of which the dispute arose, the court or arbitration commission before which the suit is being conducted, and all evidence which could influence settlement of the dispute.

An organization of associated labor shall be required in good time, before expiration of the period for appealing a verdict or decision, to inform the Federal Solicitor General's Office.

### III. PRESERVING REPUTATION IN THE CONDUCT OF FOREIGN COMMERCE

#### Article 104

Organizations of associated labor and their personnel shall be required in the conduct of foreign commerce to preserve their own reputation, the reputation of other organizations of associated labor and the reputation of the Socialist Federal Republic of Yugoslavia abroad.

Any act of an organization of associated labor contrary to good business practices, special usages and business ethics or any neglect of the interests of the social community shall be regarded as an injury to the reputation of the organization of associated labor or the reputation of the Socialist Federal Republic of Yugoslavia abroad.

The reputation of an organization of associated labor or the reputation of the Socialist Federal Republic of Yugoslavia shall be injured in particular

if an organization of associated labor commits a grave violation of a contractual obligation, if it assumes obligations in a contract irresponsibly, if it concludes a contract with a foreign purchaser to sell goods whose delivery it has not made provision for, if it delivers goods which do not meet the stipulated quality, if in its actions it threatens the interests of other organizations on the foreign market, if it does not abide by agreements and accords concerning the joint effort abroad or if in the conduct of its foreign commerce it act negligently in any way or if it gives or receives gifts in order to obtain a seller or purchaser.

In a case of violation of reputation the federal administrative agency responsible for foreign commerce shall pronounce on the organization of associated labor one or several of the measures referred to in Articles 108 and 109 of this law.

#### Article 105

The personnel of an organization of associated labor as referred to in Article 104 of this law refers to all personnel, a representative, authorized agent of the organization of associated labor or other person who in the name of the organization of associated labor comes into contact with foreign persons in connection with its foreign commercial business transactions.

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#### Article 106

For the purpose of this law disloyal competition specifically refers to the following:

- 1) if an organization of associated labor exports goods or offers a service to a foreign person at a lower price when another organization of associated labor has contracted to export the same goods or service at a higher price;
- 2) if an organization of associated labor gives the representative office of the Economic Chamber of Yugoslavia abroad inaccurate or untruthful information concerning a foreign commercial transaction which it intends to conclude;
- 3) if an organization of associated labor entered in the court register to conduct foreign commerce gives inaccurate data on a foreign commercial transaction to the manufacturing or other organization on whose account it is conducting a particular transaction in foreign commerce;
- 4) if an organization of associated labor operates on a foreign market contrary to self-management accords which have been concluded concerning the organized effort, thereby causing injury to the signitaries of the self-management accord or the social community;
- 5) if gifts are given or received in order to conclude contracts and thereby inflict damage on another domestic organization which has concluded the transaction referred to in foreign commerce with the foreign person.



#### Article 107

An organization of associated labor suspected of having committed an act of disloyal competition shall be required to deliver the necessary documentation to the federal administrative agency responsible for foreign commerce at its request.

Should there be a case of disloyal competition, the federal administrative agency responsible for foreign commerce shall pronounce on the organization of associated labor one or more of the measures enumerated in Articles 108 and 109 of this law.

#### IV. RELINQUISHMENT OF THE RIGHT TO ENGAGE IN FOREIGN COMMERCE AND OTHER MEASURES

#### Article 108

The federal administrative agency responsible for foreign commerce shall pronounce against an organization of associated labor the measure of prohibition from engaging in foreign commerce for which it has been entered in the court register in the following cases:

- 1) if it has been penalized by a verdict of a competent court for an economic violation as enumerated in Articles 138 and 140 of this law;
- 2) if more than twice in the last two years it has been penalized by a competent court for an economic violation established in this law or other regulation governing the foreign business of an organization of associated labor;
- 3) if the Court of Honor in the Economic Chamber of Yugoslavia has pronounced measures against it more than twice in the last two years.

The measures of prohibiting the conduct of foreign commerce as referred to in Paragraph 1 of this article may not be pronounced after expiration of a period of six months from the date of notification of the competent court or Court of Honor of the Economic Chamber of Yugoslavia.

On the basis of the measure of prohibition from the conduct of foreign commerce which has been pronounced the competent court shall issue a decision to delete from the court register the right of the organization of associated labor to engage in foreign commerce.

#### Article 109

In cases where a verdict of a competent court has penalized an organization of associated labor for an economic violation established in regulations governing the foreign business of organizations of associated labor or the Court of Honor of the Economic Chamber of Yugoslavia has pronounced some measure against it, the federal administrative agency responsible for foreign commerce shall pronounce one or several of the following measures against the organization of associated labor:

1) a written warning giving notice that in case of a recurrence some measure as enumerated in Subparagraphs 2 through 5 of this paragraph will be pronounced. This warning shall be delivered to the bodies of management of the organization of associated labor;

2) prohibition from conducting certain forms of foreign commerce if it has been entered in the court register for performing two or more forms of foreign commerce;

3) prohibition on exporting and importing with certain markets (areas);

4) prohibition on exporting and importing in certain fields if it has been entered in the court register for exporting and importing for two or more fields;

5) prohibition on exporting and importing of particular products;

6) recommendation to its bodies of management that they institute proceedings against the person responsible because of the violation which he committed through his own fault and that it inform the federal administrative agency responsible for foreign commerce of the outcome of proceedings within the period specified.

The prohibitions enumerated in Paragraph 1, Subparagraphs 2 through 5, of this law may last from one to three years. The period of the prohibition shall start to run on the date of delivery of the decision whereby the measure is pronounced.

The federal administrative agency responsible for foreign commerce shall deliver the decision on pronouncement of any of the measures enumerated in Paragraph 1, Subparagraphs 2 through 5, of this article to the competent court for the measure pronounced to be entered in the court register.

#### Article 110

The competent court shall deliver to the federal administrative agency responsible for foreign commerce a final verdict whereby an organization of associated labor has been penalized for an economic violation because of violation of the provisions of this law or other regulations governing the foreign business of organizations of associated labor, and the Court of Honor of the Economic Chamber of Yugoslavia shall so deliver a decision pronouncing any of the measures within its competence.

#### Article 111

If the right to engage in foreign commerce of an organization of associated labor has been deleted from the court register on the basis of a measure pronounced under Articles 108 and 109 of this law, that right may not be reentered in the court register before the end of a period of three years from the date of deletion.

## Article 112

The federal administrative agency responsible for foreign commerce may in the cases enumerated in Articles 104, 106, 108 and 109 of this law pronounce against the organization of associated labor the measure of temporary prohibition of engaging in foreign commerce or any other measure enumerated in Article 109 of this law before the competent court has issued a verdict or before the Court of Honor of the Economic Chamber of Yugoslavia has rendered a decision, if it judges that major harm could occur if the transaction in question were carried out.

If it issues a decision pronouncing the measure of temporary prohibition from engaging in particular transactions in the context of Paragraph 1 of this article, the federal administrative agency responsible for foreign commerce shall within fifteen days from the date of pronouncement of the temporary prohibition file a charge with the competent authority to institute proceedings with the competent court and shall itself file a complaint with the Court of Honor of the Economic Chamber of Yugoslavia.

If the federal administrative agency responsible for foreign commerce does not file the charge referred to in Paragraph 2 of this article, or if the body competent to institute proceedings before the competent court or Court of Honor of the Economic Chamber of Yugoslavia rejects the charge of the federal administrative agency competent for foreign commerce, the temporary prohibition shall be vacated. If the federal administrative agency responsible for foreign commerce does not file charges within the period stated in Paragraph 2 of this article, or if the economic court or Court of Honor of the Economic Chamber of Yugoslavia finds that the organization of associated labor is not responsible, the organization of associated labor against which a measure of temporary prohibition from engaging in a particular transaction has been pronounced may call upon the federal administrative agency responsible for foreign commerce to reimburse it the loss which it suffered because of the measure of temporary prohibition that was pronounced.

## V. SPECIAL PROVISIONS ON EXPORTS AND IMPORTS

### Article 113

Until dinar convertibility and stable equilibrium in Yugoslavia's balance of payments are established, exports and imports shall also be conducted in conformity with the provisions of Articles 114 through 135 of this law.

### Article 114

On behalf of achieving Yugoslavia's balance of payments and correcting disturbances on the domestic market, and also on behalf of achieving the goals and performing the tasks of joint economic policy, exports and imports may be regulated in the context of Article 16 of this law, and also in the following ways:

1) by designating commodities whose import shall be provisionally free within the limits of the established volume of payments for those imports

(LBO);

2) by designating commodities which are exported or imported on the basis of quotas (K);

3) by designating goods which are to be exported or imported on the basis of a permit (D).

#### Article 115

If pursuant to Article 27 of this law the Federal Executive Council should restrict or prohibit the export of a particular commodity during the year, the organization of associated labor shall be entitled to the same imports as though it had accomplished those exports.

An organization of associated labor shall acquire the right stated in Paragraph 1 of this article if it possesses goods for which it did not assume the obligation to supply the unified Yugoslav market and if it has evidence of the offer of a foreign person for exports of the goods in question, and if it produces goods whose total production is intended to supply the domestic market in Yugoslavia's energy balance. Evidence that the organization of associated labor possesses goods for which it has not assumed the obligation of supply in the unified Yugoslav market or evidence that the total production of those goods are intended to supply the unified Yugoslav market shall be submitted to the federal administrative agency responsible for the market and general economic affairs, and the organization of associated labor shall submit the evidence to the fully authorized bank.

#### Article 116

The right to import and to make payment abroad shall be established in the commodity regime and the payment regime, which shall be interdependent and shall constitute a unified system.

The volume of imports and payments abroad shall be determined by the forms of imports: unrestricted imports (LB), provisionally free imports (LBO), quota (K) and permit (D).

Raw materials and production supplies which are in the category of provisionally free imports (LBO) and invisible payments to meet the needs of organizations of associated labor in reproduction shall be paid for on the basis and within the limits of their socially recognized needs in reproduction, which shall be calculated in conformity with the law regulating foreign exchange transactions.

Imports of equipment, regardless of the import regime, shall be paid for up to the limits of the portion of depreciation computed on equipment and the portion of exports of the organization of associated labor actually achieved in the current year.

The importation of and payment for goods for which provisionally free importation has been prescribed (LBO) from countries with which treaties on the



clearing manner of payment have been concluded shall be conducted in conformity with those treaties and the commodity lists drawn up concerning that trade.

When rights to import are being determined under the provisions of this law, preference shall be given to organizations of associated labor which have larger exports and inflow of foreign exchange than imports and which are carrying out joint development programs on behalf of joint exports and mutual deliveries.

Organizations of associated labor shall in the Economic Chamber of Yugoslavia distribute among themselves the right to import on the basis of quotas, and they may by agreement allocate socially recognized needs in reproduction, in conformity with the federal law regulating foreign-exchange transactions.

Organizations of associated labor which have concluded a self-management accord on joint production and on exports and imports within the framework of the Economic Chamber of Yugoslavia, shall in that accord allocate the rights to import and make payments abroad on the basis of quotas established under the provisions of this law and socially recognized needs in reproduction calculated pursuant to the federal law regulating foreign-exchange transactions, on the basis of the criteria set down in that self-management accord. The Economic Chamber of Yugoslavia shall deliver those self-management accords to the authorized banks, to the National Bank of Yugoslavia and to the federal administrative agency responsible for foreign commerce.

The total volume of payments abroad, set forth in the projection of Yugoslavia's balance of payments, shall be achieved in conformity with achievement of Yugoslavia's balance of payments.

#### Article 117

The exporting of goods shall as a rule be unrestricted.

As an exception, certain types of goods especially important to maintaining the domestic market's stability may be placed under the export regimes of quotas and permits.

The measures of economic policy shall create the conditions for enlarging unrestricted exporting.

#### Article 118

The importation of goods shall as a rule be unrestricted within the limits of the established volume of payments (provisionally free imports - LBO).

Depending on achievement of the goals of economic policy and the level achieved in equalizing the balance of payments, the volume of unrestricted imports relative to the volume of provisionally free imports shall be increased.

#### Article 119

Goods shall be classified in the category of unrestricted imports in accordance with Article 118, Paragraph 2, of this law.

#### Article 120

Imports governed by quotas shall be regulated in accordance with Article 18 of this law and in order to achieve the goals and perform the tasks of joint economic policy.

#### Article 121

Imports subject to a permit shall be regulated in accordance with Article 19 of this law and in order to import goods especially important to the supply of the domestic market.

#### Article 122

The projection of Yugoslavia's balance of payments for the current year shall state the volume of imports and exports by forms of exports and imports and by purposes of imports. The volume of imports or exports shall be brought into line with achievement of the proportions in Yugoslavia's balance of payments.

#### Article 123

In accordance with export and import policy set forth in the social plan of Yugoslavia, the Federal Executive Council shall classify goods among the various forms of exports and imports on the basis of the criteria contained in this law.

#### Article 124

On the recommendation of the federal administrative agency responsible for foreign commerce the Federal Executive Council shall establish the volume of quotas for exports and imports of goods and the regional structure of imports, but the volume of exports and imports may be increased or diminished depending on achievement of the proportions in the balance of payments.

The established size of quotas and regional composition and timing of imports shall be distributed by organizations of associated labor referred to in Article 22 of this law in the manner and according to the procedure envisaged by the provisions of this article and Articles 23 and 25 of this law.

Quotas for importing raw materials and production supplies shall be distributed on the basis of production needs, especially the needs of production intended for export, as a function of the share of imports of the goods in question and the production of the particular products in the previous year, plans for production and export of organizations of associated labor, and the needs of production which will optimally reduce imports.

Quotas on imports of equipment shall be distributed on the basis of the needs of modernizing production for export, the needs of modernization of production which replaces the importation of certain raw materials, the need to develop higher forms of business collaboration with foreign countries (joint ventures, long-term industrial cooperation, etc.), and to meet other specific needs (replacement of equipment destroyed, equipment for workplace safety, equipment for the health service, etc.).

Organizations of associated labor may also establish additional criteria and conditions for importing in the self-management accord referred to in Article 22 of this law.

#### Article 125

Equipment whose importation is provisionally free may be imported up to the established share of the value of exports or the established share of computed depreciation of equipment, in conformity with the law regulating foreign-exchange transactions.

Equipment imported on the basis of quotas and permits shall be imported in the quantity or value of the assigned quota or the permit issued, and it shall be paid for up to the established portion of exports achieved or the established portion of depreciation of equipment.

If equipment whose importation is provisionally free is manufactured in the country, and the proceedings of a public competition or the gathering of bids of domestic producers has not been conducted in advance, an organization of associated labor shall be required to obtain the consent of the Economic Chamber of Yugoslavia for the importation of that equipment. The Economic Chamber of Yugoslavia shall issue consent to the organization of associated labor if the bids of domestic organizations of associated labor are less favorable with respect to price, delivery dates and quality than the bid of the foreign supplier.

If equipment is being imported on credit or in subsequent years, the fully authorized bank may accept notice of the importation up to the value of the portion of export or portion of computed depreciation of equipment pursuant to the provisions of the law regulating foreign-exchange transactions, but not to exceed the five-fold value of the portion of exports and depreciation calculated for that organization of associated labor at the moment when it submits the notice of importation.

The importation of spare parts to maintain imported equipment shall be unrestricted.

Equipment shall be imported on the basis of quotas in order to protect domestic production in accordance with Article 18 of this law.

Equipment which individually has a very high value shall be imported on the basis of a permit. When the permit is issued, provisions shall be made so that achievement of the portions of Yugoslavia's balance of payments is achieved in view of the timing of the importation.

#### Article 126

When quotas are allocated, provisions shall be made so that at least 10% of the quotas established provide for subsequent allocation for organizations of associated labor which achieve a larger growth of exports than the growth of exports envisaged in the documents of current economic policy, for newly established organizations of associated labor or for newly organized production, and for organizations of associated labor whose needs could not be foreseen at the moment when the self-management accord was concluded.

When the quotas are allocated, provision shall as a rule be made for uniform distribution of the volume of imports by quarters during the year, except in the case of imports of equipment, of seasonal products, and of commodities from exchanges.

#### Article 127

If organizations of associated labor do not allocate the quotas pursuant to the regulation of the Federal Executive Council referred to in Article 124 of this law, the quotas shall be allocated by the federal administrative agency responsible for foreign commerce.

#### Article 128

Consumer goods shall be imported in conformity with the provisions of the federal law regulating foreign-exchange transactions, but if they are imported on the basis of quotas and permits, they may be imported up to the established right to make such imports.

#### Article 129

Imported goods may not be exported until they have gone through manufacturing, processing or finishing by an organization of associated labor, unless this law provides otherwise.

#### Article 130

Goods shall be imported and exported in conformity with the form of export and import established for those goods. Goods whose importation is unrestricted shall be imported and paid for without restriction.

Goods to be imported or exported under a permit or quota shall be imported or exported up to the quantity or value stated in a permit or quota.

Goods whose importation is provisionally free shall be imported without restriction up to the established volume of international payments.

#### Article 131

On behalf of a joint effort abroad related to imports and unified imports of goods imported in volume, the Federal Executive Council may prescribe that



such goods shall be imported on the basis of a public competition, that organizations of associated labor institute proceedings within the Economic Chamber of Yugoslavia for conclusion of a self-management accord on a organized and unified effort, and that the importation of goods be entrusted to the Federal Directorate for Reserves, or it may define other conditions for the joint effort abroad or for unified importation of goods.

#### Article 132

Aside from reducing its socially recognized needs in reproduction in the context of the law regulating foreign-exchange transactions, in the case of an organization of associated labor using credit from abroad for current production and exports, when it does not achieve those exports, the bank which computes the socially recognized needs in reproduction shall also reduce its import quotas or import permits by the value of the shortfall of exports.

#### Article 133

Joint economic policy and the measures of current economic policy shall create the conditions for increasing the types of goods whose importation is unrestricted.

#### Article 134

The federal administrative agency responsible for foreign commerce, on the basis of data of the Federal Customs Administration, shall monitor achievement of the balance of payments by forms of visible exports and imports, and in the case of goods whose importation is unrestricted, by types or groups of commodities.

#### Article 135

When temporary measures to restrict imports as provided for in this law are undertaken, the volume of payment for provisionally free imports and the volume of imports of goods imported on the basis of quotas and permits shall be reduced.

If the value of imports of a particular commodity whose importation is unrestricted deviates from the value of imports of that commodity in past years, the commodity may be reclassified from that form of importation to other forms of importation.

### VI. PUNITIVE PROVISIONS

#### 1. Crimes

#### Article 136

The person responsible in an organization of associated labor, other organization or community which in connection with an exportation or importation

of goods or services deceives the competent agency, organization or community by submitting documents with untrue contents or in some other manner, and thereby exports or imports the goods or services, shall be subject to a prison sentence of not less than six months and not more than five years.

Anyone who abuses his official position or authority in making it possible to commit the crime referred to in Paragraph 1 of this article shall also be subject to the penalty referred to in Paragraph 1 of this article.

In an especially serious case of the crime referred to in Paragraphs 1 and 2 of this article, the perpetrator shall be subject to a prison sentence of not less than one year and not more than ten years.

## 2. Economic Violations

### Article 137

An organization of associated labor or other juridical person shall be subject to a fine for an economic violation of not less than 1,000,000 and not more than 10,000,000 dinars in the following cases:

- 1) if it begins to engage in foreign commerce for which it has not been entered in the court register (Article 11, Paragraph 1);
- 2) if it engages in foreign commerce for which it has not obtained the permission of the federal administrative agency responsible for foreign commerce (Article 44, Paragraph 1);
- 3) if it imports certain parts which are components of a set of machinery or equipment for whose importation it has not been entered in the court register and has not obtained from the federal administrative agency responsible for foreign commerce permission for that importation (Article 44, Paragraph 2).

the person responsible in the organization of associated labor or other juridical person as referred to in Paragraph 1 of this article shall also be subject to a fine for an economic violation of not less than 100,000 and not more than 500,000 dinars for an act as described in Paragraph 1 of this article.

### Article 138

An organization of associated labor shall be subject to a fine for an economic violation of not less than 1,000,000 and not more than 10,000,000 in the following cases:

- 1) if in importing and exporting goods it does not abide by the regulations of the Federal Executive Council classifying goods among the various forms of exportation and importation (Article 21, Paragraph 1)
- 2) if it engages in foreign commerce contrary to measures concerning temporary regulation of that commerce (Article 27, Paragraph 1);

3) if it exports goods to foreign armed forces for whose exportation it has not obtained the special permit of the federal administrative agency responsible for foreign commerce (Article 36, paragraph 2);

4) if it concludes a contract with a foreign person concerning the sale or purchase of goods on someone else's account and the goods in questions are agricultural products and forest products and products of the wood industry excepting finished products, if it does not perform the preliminary and preparatory actions related to concluding such a contract and does not conclude a contract in Yugoslavia in advance for the quantity of goods which are to be sold or purchased abroad (Article 39, Paragraph 1);

5) if contrary to the provision of Article 45 of this law and the regulation enacted on the basis of that article it exports goods without obtaining the required certificate or required certified papers;

6) if contrary to the provision of Article 47 of this law and the regulation enacted on the basis of that law it exports or imports goods or renders services without collection or payment of equivalent value;

7) if it concludes a contract for exportation or importation of narcotic drugs without prior permit of the competent federal administrative agency in the context of the law regulating the production and sale of narcotic drugs (Article 51);

8) if it engages in the business of representation of a foreign person as agent and has not concluded a contract concerning agency with that person or if it has not submitted that contract to the Economic Chamber of Yugoslavia to be recorded or if it does not conclude the contract concerning agency for representation over the entire territory of the SFKY, unless this law provides otherwise, or if in conducting the business of representing foreign persons in Yugoslavia it does not abide by the regulations of the Federal Executive Council concerning the business of representing foreign persons in Yugoslavia (Article 68, Paragraphs 3, 4 and 9).

9) if it engages in the business of brokering in foreign commerce contrary to the provisions of Article 70 of this law and the regulation enacted on the basis of Paragraph 5 of this article;

10) if it uses the business services of foreign persons or renders such services to foreign persons in foreign commerce contrary to regulation of the Federal Executive Council (Article 77);

11) if in engaging in foreign commerce it does not abide by the conclusions and decisions enacted on the basis of Article 83 of this law;

12) if it does not conduct foreign commerce in the manner prescribed by the Federal Executive Council (Article 85);

13) if it does not abide by the act of the Economic Chamber of Yugoslavia regulating business relations with certain foreign persons abroad who engage in foreign commerce (Article 86);

14) if before concluding certain types of contracts or contracts exceeding a certain value it does not obtain the opinion of the Federal Solicitor General's Office (Article 102, Paragraph 3);

15) if in the conduct of foreign commerce it damages its own reputation or the reputation of another organization of associated labor or the reputation of the Socialist Federal Republic of Yugoslavia abroad (Article 104, Paragraph 1);

16) if in the conduct of foreign commerce it commits an act of disloyal competition as envisaged by Article 107 of this law or if it does not furnish the federal administrative agency responsible for foreign commerce the necessary documentation at its request (Article 107, Paragraph 1);

17) if in establishing import rights and rights to make payment abroad it does not abide by the provisions of Article 116 of this law; if it allocates an established volume of quotas contrary to the provisions of Article 124 or if in importing equipment it does not abide by the provisions of Article 125, or if in the allocation of quotas it does not abide by the provisions of Article 126; if it imports consumer goods contrary to the provision of Article 127; if it exports imported goods before an organization of associated labor has subjected them to manufacturing, finishing or processing (Article 129); if it exports or imports goods contrary to the provisions of Article 130, or if it does not abide by the regulations enacted on the basis of Article 130, paragraph 1, and Article 131 of this law.

The person responsible in the organization of associated labor shall also be subject to a fine for an economic violation of not less than 100,000 dinars and not more than 500,000 dinars for an act as described in Paragraph 1 of this article.

#### Article 139

A foreign exhibitor from a developing country who sells handicrafts and the products of artisans in excess of the value necessary to pay the costs of exhibiting at a fair, customs duties and other import charges, or a foreign person who does not abide by the regulation enacted on the basis of Article 81 of this law shall be subject to a fine for an economic violation of not less than 500,000 and not more than 1,000,000 dinars.

The person responsible in the foreign person shall also be subject to a fine for an economic violation not to exceed 500,000 dinars for an act as described in Paragraph 1 of this article.

#### Article 140

An organization of associated labor shall be subject to a fine for an economic violation of not less than 500,000 and not more than 5,000,000 dinars in the following cases:



- 1) if it engages in foreign commerce contrary to the provisions of Article 8 of this law;
- 2) if it does not define the professional training and other conditions which must be met by personnel who have special authorities and responsibility and by personnel who handle jobs or work duties in the conduct of foreign commercial transactions (Article 10);
- 3) if it imports goods which do not meet the conditions envisaged in regulations for their sale or use in Yugoslavia (Article 17);
- 4) if it engages in an export or import transaction as referred to in Article 28 of this law without obtaining consent of the federal administrative agency competent for energy and industry;
- 5) if it concludes a transaction for importation of equipment, raw materials and production supplies imported on the basis of quotas or permit without prior consent of the federal administrative agency responsible for foreign commerce (Article 29);
- 6) if it contracts for the exportation or importation of goods and services as part of compensation deals with foreign countries without permission of the federal administrative agency responsible for foreign commerce or does not abide by regulations on the conduct of compensation deals with foreign countries (Article 31);
- 7) if it conducts transactions of exporting and importing goods in local border traffic contrary to the provisions of Article 33 of this law or if it does not abide by regulations on exportation and importation of goods in local border traffic (Article 33, Paragraph 8);
- 8) if it exports or imports goods under compensation deals related to international fairs contrary to the provisions of Article 34 of this law;
- 9) if in exporting and importing goods in regular commodity trade and trade for all other forms of foreign commerce and does not abide by the prescribed forms of exports and imports (Article 35), excepting exports and imports related to long-term industrial cooperation with foreign countries and investments of the resources of foreign persons in domestic organizations of associated labor;
- 10) if it exports goods contrary to the provision of Article 36 of this law;
- 11) if it engages in foreign commerce contrary to the provisions of Article 38 of this law;
- 12) if it imports goods without a prior public competition or without gathering bids from a certain minimum number of bidders, when public competition or the gathering of bids has been prescribed (Article 41, Paragraph 1), or if it does not abide by the regulation enacted on the basis of Article

41, Paragraph 2, of this law, or if in the public competition or gathering of bids it does not make it possible for domestic manufacturers of the goods which are to be acquired abroad to participate (Article 42, Paragraph 1), or if it acts contrary to the provisions of Article 42, Paragraphs 2 and 3, of this law;

13) if in purchasing equipment abroad or in its direct delivery abroad, and also if in rounding out equipment to be delivered or a capital investment project which is being built abroad, it acts contrary to the provision of Article 43 of this law;

14) if it does not abide by regulations on temporary exportation or importation of goods for use in the context of Articles 53 through 55 of this law, temporary exportation and importation of leased equipment, or other conditions governing temporary exportation and importation of goods (Article 56).

The person responsible in the organization of associated labor shall also be subject to a fine for an economic violation of not less than 100,000 and not more than 500,000 dinars for an act as described in Paragraph 1 of this article.

#### Article 141

An organization of associated labor shall be subject to a fine for an economic violation of not less than 300,000 and not more than 5,000,000 dinars if without authorization it conducts preliminary and preparatory actions related to transactions in foreign commerce when it has not been entered in the court register (Article 11, Paragraph 2).

The person responsible in the organization of associated labor shall also be subject to a fine for an economic violation of not less than 30,000 and not more than 400,000 dinars for an act under Paragraph 1 of this article.

#### Article 142

An organization of associated labor shall be subject to a fine for an economic violation of not less than 250,000 and not more than 5,000,000 dinars if it acts contrary to the provisions of Article 101 of this law.

the persons responsible in the organization of associated labor shall also be subject to a fine for an economic violation of not less than 50,000 and not more than 500,000 dinars for an act as described in Paragraph 1 of this article.

The organization of associated labor and person responsible shall not be subject to penalty for the economic violation referred to in Paragraph 1 of this article should it be established that the circumstances under which the contract was concluded were altered through no fault of their own.

#### Article 143

An organization of associated labor shall be subject to a fine for an economic violation of not less than 100,000 and not more than 3,000,000

dinars if in a purchase-and-sales contract it does not stipulate the obligation of the foreign purchaser to obtain from the competent agency of his own country a certificate to the effect that he is the ultimate user of that commodity in the country into which the goods are being imported and present that certificate to the organization of associated labor exporting the commodity (Article 46, Paragraph 2).

The person responsible in the organization of associated labor shall also be subject to a fine for an economic violation of not less than 30,000 and not more than 300,000 dinars for an act as described in Paragraph 1 of this article.

#### Article 144

The person responsible in the agency of a sociopolitical community or other government agency shall be subject to a fine for an economic violation of not less than 100,000 and not more than 500,000 dinars if it imports goods and services contrary to the provisions of Article 52 of this law.

#### Article 145

The property gain of an organization of associated labor or foreign person shall be confiscated by the court order establishing that the economic violation has been committed.

#### Article 146

An economic court may pronounce against an organization of associated labor the protective measure of prohibition from performing a particular form or several forms of foreign commerce for the economic violations envisaged in Articles 138 and 140 of this law.

In addition to the fine, an economic court may pronounce against a person responsible for the economic violations referred to in Paragraph 1 of this article the protective measure of prohibition from performing job duties related to transactions and tasks in foreign commerce.

The economic court may not pronounce the protective measure referred to in Paragraph 1 of this article if the particular form of foreign commerce is the sole line of business of the organization of associated labor.

### 3. Misdemeanors

#### Article 147

An organization of associated labor entered in the court register for the conduct of foreign commerce shall be subject to a fine for a misdemeanor of not less than 100,000 dinars and not more than 500,000 dinars if it entrusts the handling of foreign commercial transactions to a person convicted of any of the crimes stated in Article 136 of this law or to a person convicted of

an economic violation as stated in Articles 137, 138, 141 and 142 of this law.

The person responsible in the organization of associated labor shall also be subject to a fine for a misdemeanor of not less than 10,000 and not more than 40,000 dinars for an act as described in Paragraph 1 of this article.

#### Article 148

An organization of associated labor shall be subject to a fine for a misdemeanor of at least 100,000 and not more than 400,000 dinars if the transactions in foreign commerce are handled by personnel who do not have the prescribed professional training or do not meet the other prescribed conditions (Article 10, Paragraph 2).

The person responsible in the organization of associated labor shall also be subject to a fine for a misdemeanor of not less than 10,000 and not more than 40,000 dinars for an act as described in Paragraph 1 of this article.

#### Article 149

An organization of associated labor shall be subject to a fine for a misdemeanor of not less than 100,000 and not more than 400,000 dinars if within 15 days from the date when it ceased to meet any of the conditions for engaging in foreign commerce it did not notify to that effect the federal administrative agency responsible for foreign commerce (Article 13, Paragraph 1).

The person responsible in the organization of associated labor shall also be subject to a fine for a misdemeanor of not less than 10,000 and not more than 40,000 dinars for an act as described in Paragraph 1 of this article.

#### Article 150

An organization of associated labor shall be subject to a fine for a misdemeanor of not less than 100,000 and not more than 400,000 dinars in the following cases:

1) if it does not furnish data on the type and value of equipment whose importation has been covered by development programs of that organization of associated labor to the Economic Chamber of Yugoslavia for recordkeeping purposes (Article 24, Paragraph 2);

2) if within 40 days from the date of concluding a contract or amending and supplementing a contract with a foreign person concerning long-term foreign commercial transactions whereby obligations for exporting and importing goods and services are assumed covering a time longer than one year it does not deliver that contract to the Economic Chamber of Yugoslavia (Article 30).

The person responsible in the organization of associated labor shall also be subject to a fine for a misdemeanor of not less than 10,000 and not more than 40,000 dinars for an act as described in Paragraph 1 of this article.



#### Article 151

An organization of associated labor shall be subject to a fine for a misdemeanor of not less than 100,000 and not more than 400,000 dinars if in conducting the transactions referred to in Article 64 of this law it does not issue to the client the appropriate document in writing or if it issues a document containing inaccurate information (Article 64, Paragraph 4).

The person responsible in the organization of associated labor shall also be subject to a fine for a misdemeanor of not less than 10,000 and not more than 40,000 dinars for an act as described in Paragraph 1 of this article.

#### Article 152

A domestic physical person or foreign physical person shall be subject to a fine for a misdemeanor of not less than 50,000 and not more than 200,000 dinars for engaging in foreign commerce (Article 87).

A domestic physical person or foreign physical person shall be subject to a fine for a misdemeanor of not less than 50,000 and not more than 200,000 dinars for importing, carrying in or receiving from abroad or exporting, carrying out or sending abroad articles contrary to the provisions of Articles 89 through 95 of this law or for not abiding by the regulation enacted on the basis of Article 96 of this law.

#### Article 153

An organization of associated labor shall be subject to a fine for a misdemeanor of not less than 50,000 and not more than 100,000 dinars if within the prescribed period it does not submit the report referred to in Article 103, Paragraph 2, of this law.

The person responsible in the organization of associated labor shall also be subject to a fine for a misdemeanor of not less than 10,000 and not more than 20,000 dinars for an act as described in Paragraph 1 of this article.

#### Article 154

An organization of associated labor or other juridical person shall be subject to a fine for a misdemeanor of not less than 100,000 and not more than 300,000 dinars if within the prescribed period it does not submit to the competent bank authorized by federal law to conduct foreign business transactions notification of a contract concluded and notification of dissolution of a contract concluded or termination of a contract concluded with a foreign person in some other manner (Article 97, Paragraph 1) or if it submits notification of a contract concluded concerning a foreign commercial transaction which does not conform to regulations, or if it does not abide by regulations enacted on the basis of Article 100 of this law.

The person responsible in the organization of associated labor or other

juridical person shall also be subject to a fine for a misdemeanor of not less than 10,000 and not more than 30,000 dinars for an act as described in paragraph 1 of this article.

#### Article 155

In addition to the fine, the protective measure of confiscation of articles used or intended for use in committing the misdemeanor or which came into being through commission of the misdemeanor shall also be pronounced for the misdemeanors stated in Articles 147 through 154 of this law.

#### Article 156

Misdemeanor proceedings concerning the misdemeanors covered by this law shall be conducted in the first instance by the Federal Foreign Exchange Inspectorate.

The Federal Tribunal for Misdemeanors shall rule on an appeal against the decision of the Federal Foreign Exchange Inspectorate.

#### Article 157

Proceedings concerning the misdemeanors covered by this law may not be instituted when three years have passed from the date when the misdemeanor was committed. The statute of limitations shall be interrupted by every act of the competent authority undertaken to pursue the perpetrator of the misdemeanor or in order to carry out the sentence or protective measure. The statute of limitations shall commence once again with every interruption, but regardless of the interruptions the statute of limitations shall in any case expire when six years have passed from the date when the misdemeanor was committed.

A sentence or protective measure pronounced for a misdemeanor may not be executed if three years have passed from the date when the decision on the misdemeanor became final. The statute of limitations for execution of the sentence or protective measure shall not run during the time when execution could not be undertaken under law. The statute of limitations shall be interrupted by every act of the competent authority undertaken to execute the sentence or protective measure. The statute of limitations shall commence once again with every interruption, but regardless of the interruptions the statute of limitations shall in any case expire when six years have passed from the date when the decision on the misdemeanor became final.

### 4. Legal Consequences of Conviction

#### Article 158

In an organization of associated labor or other juridical person engaged in foreign commerce foreign commercial transactions may not be handled by a person who has committed a crime against the foundations of the social system of socialist self-management and security of the SFRY, against the armed forces of the SFRY, against humanity and international law, against

the reputation of the SFRY, a foreign state or international organization, against the rights of self-management, against the unity of the Yugoslav market, or a crime envisaged by this law for which he was sentenced to prison in a final verdict.

The prohibition described in Paragraph 1 of this article shall apply to a person who has committed a premeditated crime against the economy, against other social values, or against official duties if he was sentenced to imprisonment of at least six months for that crime in a final verdict.

The prohibition referred to in Paragraph 1 of this article shall apply to a person who has committed another crime than the crimes enumerated in Paragraphs 1 and 2 of this article if for that crime he has been sentenced to at least three years in prison in a final verdict.

The prohibition shall last ten years for the persons referred to in Paragraphs 1 and 2 of this article and five years for the persons referred to in Paragraph 3 of this article from the date when the sentence was served, pardoned or vacated by the statute of limitations.

#### Article 159

An organization of associated labor or other social juridical person may not hire or retain for the jobs and tasks requiring special authority or responsibility or for other specialized tasks related to handling foreign commercial transactions a person who has been convicted of an economic violation on the basis of this law or the federal law regulating foreign-exchange transactions if a fine in excess of 50,000 dinars was pronounced against that person.

The prohibition referred to in Paragraph 1 of this article shall last three years from the date when the verdict became final.

#### Article 160

Fines, property gain, goods and articles used or intended for use in committing an economic violation or misdemeanor or coming about through commission of an economic violation or misdemeanor shall be paid into the federal budget.

### VII. TRANSITIONAL PROVISIONS

#### Article 161

Until enactment of the regulations and other general acts on the basis of authority granted in this law the regulations and other acts enacted by the Federal Executive Council and federal administrative agencies on the basis of authority granted in the Law on Foreign Commerce (SLUZHBIENI LIST SFRJ, Nos. 15, 1977; 17, 1978; and 5, 1982), unless they contradict this law, and the authorities granted under Article 305, Paragraph 6, and Article 307, Paragraph 1, of the Customs Law (SLUZHBIENI LIST SFRJ, Nos. 10, 1976; 36, 1979; 52, 1979; 12, 1982; 61, 1982; 7, 1984; and 25, 1985) shall be applied.

The regulations under Articles 21 and 82 of this law shall be enacted by the Federal Executive Council for the year 1986 no later than 31 December 1985, and the regulations referred to in Article 9 of this law no later than 31 January 1986.

#### Article 162

Organizations of associated labor which before the date when this law takes effect are entered in the court register for engaging in foreign commerce must within one year from the date when this law takes effect bring their registration into conformity with the provisions of this law and submit to the federal agency responsible for foreign commerce evidence that they meet the conditions stated in Article 8 of this law. If the federal administrative agency responsible for foreign commerce ascertains from the evidence submitted that the organization of associated labor meets the conditions for engaging in foreign commerce, it shall inform the competent court that it may continue to engage in the foreign commerce for which it is entered in the court register.

If an organization of associated labor does not submit the data sought on meeting the conditions stated in Article 8 of this law within the period stated in Paragraph 1 of this article, the federal administrative agency responsible for foreign commerce shall automatically issue a decision that it may not engage in foreign commerce and on that basis the competent court shall delete from the court register the right of that organization of associated labor to engage in any or certain forms of foreign commerce.

An organization of associated labor which before the date when this law took effect was not entered in the court register for engaging in foreign commerce must meet the conditions stated in Article 8, Paragraph 4, of this law within the period set forth in the act of consent referred to in Article 8, Paragraph 3, of this law, which may not be longer than two years from the date of entry in the court register.

Organizations of associated labor whose right to engage in foreign commerce has terminated under the provisions of this article and Article 13 of this law may complete transactions already underway or turn them over to an organization of associated labor entered in the court register to engage in foreign commerce.

#### Article 163

If by 1 January 1986, the quotas for exports and imports of goods are not established and allocated, the Federal Secretariat for Foreign Trade may establish for exports and imports of goods in the first quarter of 1986 an advance not to exceed 25% of the quota established for exports and imports of goods on that basis in the past year, but an advance in the proportion of as much as 40% of the established quota for importation of seasonal goods in the past year may be established within the limits of the advance so established for the importation of seasonal goods.



#### Article 164

On the date when this law takes effect, the Law on Foreign Commerce (SLUZBENI LIST SFRJ, Nos. 15, 1977; 17, 1978; and 5, 1982), excepting the provisions of Articles 79 and 81 of that law, which shall cease to be valid on 1 January 1987, shall cease to be valid. On the date when application of this law commences the provisions of Articles 304, 305 and 307 of the Customs Law (SLUZBENI LIST SFRJ, Nos. 10, 1976; 36, 1979; 52, 1979; 12, 1982; 61, 1982; and 7, 1984) shall cease to be valid.

#### Article 165

This law shall take effect on the eighth day after publication in SLUZBENI LIST SFRJ, but its application shall commence as of 1 January 1986.

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CSO: 2800/109

## LAW ON FOREIGN EXCHANGE TRANSACTIONS

Belgrade SLUZHBI LIST SFRJ in Serbo-Croatian No 66, 11 Dec 85 pp 1686-1707

## [Text] 1. Basic Provisions

## Article 1

Collection and payment in foreign exchange and dinars in foreign business transactions and other foreign exchange transactions shall conform to the provisions of this law.

For the purpose of this law "foreign exchange" means claims abroad on whatever basis denominated in a foreign currency, which includes both the accounting currency and also all types of effective foreign money except minted gold money.

## Article 2

The foreign exchange which organizations of associated labor realize in business transactions abroad with foreign countries and in other foreign-exchange transactions are the result of the labor of the workers in those organizations and of social labor as a whole.

Relations in foreign-exchange transactions are an integral part of relations in social reproduction based on the self-management of the workers in associated labor employing social resources.

In the domain of foreign-exchange transactions with foreign countries the workers in organizations of associated labor shall have basically the same socioeconomic position as workers in other domains of social reproduction.

## Article 3

The use and disposition of foreign exchange shall conform to the needs of social reproduction, the needs of augmenting exports, the individual needs of organizations of associated labor and other self-managing organizations and communities, and to the needs of society generally.

#### Article 4

Once dinar convertibility and stable equilibrium in Yugoslavia's balance of payments are established, organizations of associated labor and other social juridical persons may have foreign-exchange accounts with an authorized bank if the conditions of conducting business in conformity with federal law so require.

#### Article 5

Foreign exchange shall be used solely for payments abroad, in conformity with the provisions of this law.

International payments shall be conducted through authorized banks unless this law provides otherwise.

An authorized bank may make a payment abroad when an organization of associated labor or other social juridical person pays the corresponding amount of the dinar equivalent into that bank.

#### Article 6

Workers in organizations of associated labor shall in conformity with federal law regulate rights, obligations and responsibilities in the disposition and use of foreign exchange for the purpose of making payments abroad through their delegates in the bodies of self-management, in economic chambers, in banks, in the SFRY Assembly and in the assemblies of the socialist republics and the socialist autonomous provinces.

#### Article 7

Workers shall plan foreign economic relations in the framework of the development plans of organizations of associated labor, other self-managing organizations and communities, and the plans of sociopolitical communities.

Foreign economic relations shall be planned in order to secure the conditions and prerequisites for economically more successful inclusion of associated labor in the international division of labor and to advance foreign economic relations, to strengthen the orientation of organizations of associated labor and the economy as a whole towards exporting and towards establishing more long-term economic ties among organizations of associated labor, as well as to create the conditions for meeting obligations abroad.

#### Article 8

Organizations of associated labor, economic chambers and other general associations, and other self-managing organizations and communities, the republics and autonomous provinces, and the Federation, each within the limits of its respective rights and duties, shall be responsible for the country's position in international economic relations, for optimum inclusion in the international division of labor and for the status of Yugoslavia's balance of payments, and it shall be their duty to take steps in

good time to achieve the planned development of relations with foreign countries.

#### Article 9

The policy of foreign economic relations as set forth in the medium-term social plan of Yugoslavia shall be elaborated in detail in the resolution on the policy for fulfilling the medium-term social plan of Yugoslavia.

The projection of Yugoslavia's balance of payments, which shall be adopted in conformity with the Resolution on Implementing the Medium-Term Social Plan of Yugoslavia, shall set forth policy and reconcile the proportions of exports and imports of goods and services and the financial transactions between domestic and foreign persons.

#### Article 10

Foreign exchange shall be purchased and sold within the country on the unified foreign exchange market.

#### Article 11

The National Bank of Yugoslavia, the national banks of the republics and the national banks of the autonomous provinces, each within the limits of its respective rights and duties, shall be responsible for the overall liquidity of foreign payments.

The authorized bank shall be responsible for their own liquidity in foreign payments, within the limits of the rights and duties envisaged by federal law.

#### Article 12

Payments to foreign countries for imports of goods and services shall be made in conformity with this law.

Payment for goods and services whose importation is regulated shall be made on the basis of the established right to import such goods and services.

Organizations of associated labor, authorized banks and other social juridical persons may incur obligations to foreign countries only within the limits of the rights to make payments and rights to incur indebtedness as set forth in law.

#### Article 13

Dinar convertibility shall be permanently maintained by the measures of current economic policy and development policy appropriate to ensuring a growth of exports and equilibrium in the country's balance of payments.

Exports of goods and services, the rendering of services to domestic persons in international traffic, and the refunding of shipping charges when goods are imported from certain countries shall be stimulated by the policy of the



real rate of exchange of the dinar, by development policy, by the system and mechanism of tax, customs and other refunds, by credit-and-monetary policy and by other measures of economic policy.

#### Article 14

Citizens and civil juridical persons may keep foreign exchange in a foreign-exchange account or foreign-exchange savings account with an authorized bank and may use it for payments abroad in conformity with the provisions of this law.

Foreign physical persons may keep foreign exchange in a foreign-exchange account or foreign-exchange savings account with authorized banks.

The Federation shall guarantee the foreign exchange in foreign-exchange accounts and foreign-exchange savings accounts.

#### Article 15

The purchase, sale, presentation as a gift, lending and borrowing, and presentation for safekeeping of foreign exchange shall be prohibited between domestic persons and between domestic persons and foreign persons in Yugoslavia unless this law provides otherwise.

#### Article 16

Payment and collection in foreign exchange or gold shall be prohibited between domestic persons and between domestic persons and foreign persons on the territory of the Socialist Federal Republic of Yugoslavia, and it shall also be prohibited to conclude transactions whereby the dinar value of the obligation stipulated is calculated on the basis of the price of gold or the exchange rate of the dinar against foreign currencies unless this law or other federal law provides otherwise.

Any legal transaction which violates the prohibition stated in Paragraph 1 of this article shall be null and void.

#### Article 17

For the purpose of this law "domestic person" means basic and other organizations of associated labor, business communities, banks, cooperatives, economic chambers and other general associations, self-managing communities of interest and other self-managing organizations and communities, sociopolitical communities and their bodies, agencies and organizations, sociopolitical organizations and other public organizations, and other juridical persons domiciled in Yugoslavia and physical persons residing in Yugoslavia.

For the purpose of this law "foreign person" means all juridical and physical persons other than the persons referred to in Paragraph 1 of this article.

#### Article 18

For the purpose of this law "authorized bank" means a bank which has authority to conduct international payments and foreign credit transactions (hereinafter "fully authorized bank") and a bank which has authority for current transactions with foreign exchange and foreign currencies within Yugoslavia (hereinafter "limited authorized bank").

#### Article 19

The Federal Directorate for Sales and Reserves of Special-Import Products shall in foreign-exchange transactions have the same rights and obligations which organizations of associated labor have under this law, unless Federal law provides otherwise.

#### Article 20

Foreign-exchange and foreign-trade transactions and foreign credit relations shall be subject to foreign-exchange supervision.

### II. Yugoslavia's Balance of Payments

#### Article 21

Yugoslavia's balance of payments shall encompass the financial and other economic transactions between domestic and foreign partners, but especially: the value of and collection for exports of goods and services and other invisible inflow; the value of and payment for imports of goods and services and other invisible outflow; international financial transactions; the appropriate balances of current and financial transactions with foreign countries, as well as changes in foreign-exchange reserves, separately by currency areas.

#### Article 22

The Federal Executive Council shall prescribe the methodology for ascertaining and monitoring achievement of Yugoslavia's balance of payments.

Achievement of Yugoslavia's balance of payments shall be monitored monthly by the National Bank of Yugoslavia.

The Federal Executive Council shall file a report with the SFRJ Assembly on achievement of Yugoslavia's balance of payments.

#### Article 23

The projection of Yugoslavia's balance of payments shall be adopted for each year and shall be based on medium-term social plan of Yugoslavia.

The projection of Yugoslavia's balance of payments shall be proposed by the Federal Executive Council and adopted by the SFRJ Assembly simultaneously.

with the resolution on implementation of the medium-term social plan of Yugoslavia, in which the joint foreign exchange policy shall also be set forth.

#### Article 24

If the proportions in Yugoslavia's balance of payments are not achieved in conformity with the projection of Yugoslavia's balance of payments, the Federal Executive Council shall undertake and propose additional steps to promote exports.

Aside from adoption of the additional measures referred to in Paragraph 1 of this article, the Federal Executive Council may also prescribe the following measures:

- 1) restriction of payments for goods and services and also other current international payments or the reduction of individual rights to import and rights to make payments;
- 2) mandatory depositing of the equivalent dinar value in advance when notification of a foreign trade transaction is made;
- 3) mandatory posting of dinar deposits in the value of goods and services being imported;
- 4) introduction of special fees on payments abroad;
- 5) limitation of amounts of foreign exchange to be used for current payments abroad;
- 6) prohibition of the purchase and sale of certain foreign currencies on the unified foreign-exchange market;
- 7) restriction on the carrying of foreign exchange or dinars into or out of the country;
- 8) measures restricting other financial transactions;
- 9) measures restricting other current transactions.

The Federal Executive Council shall take the measures stated in Paragraph 2 of this article selectively, mindful of the need to promote exports.

Should sizable deviations and disruptions occur in achieving the proportions in Yugoslavia's balance of payments, in addition to the measures stated in Paragraphs 1 and 2 of this article the Federal Executive Council may establish priorities for payments abroad and prescribe mandatory certification of orders for current payments abroad by the National Bank of Yugoslavia and an order of priority in making international payment.

Within a period of six months following adoption of the measures referred to in Paragraphs 2 and 4 of this article the Federal Executive Council shall be

required to study whether the grounds exist for their further application.

The Federal Executive Council shall be required to notify the SFRY Assembly of the measures referred to in Paragraphs 1, 2 and 3 of this article.

#### Article 25

When adopting the measures referred to in Paragraphs 2 and 4 of Article 24 of this law, the Federal Executive Council shall specifically set forth measures pertaining to the importation of armament and military equipment and also equipment and supplies for manufacturing armament and military equipment in Yugoslavia.

### III. The Exchange Market and the Exchange Rate of the Dinar

#### Article 26

For the purpose of this law the "unified exchange market" shall be made up of all the transactions of purchase and sale of foreign exchange taking place between authorized banks and organizations of associated labor and between authorized banks both directly and at the Interbank Meeting of the Exchange Market, in which the National Bank of Yugoslavia shall also participate.

The National Bank of Yugoslavia shall propose and the Federal Executive Council shall prescribe the operating procedure and pattern of organization of the unified exchange market.

#### Article 27

The interbank meeting of the unified exchange market shall constitute a separate part of the unified exchange market, and shall be a regular, organized meeting fixed in advance of representatives of fully authorized banks and the National Bank of Yugoslavia.

#### Article 28

The dinar's exchange rate shall be formed on the unified exchange market according to the supply of and demand for foreign exchange and the country's economic policy.

The rate of exchange referred to in Paragraph 1 of this article, in conformity with the country's economic policy, shall also be used to set the exchange rate for the accounting currency used in trade with countries with which a treaty calling for payment in an accounting currency has been concluded.

#### Article 29

There may be spot and forward purchases and sales of foreign exchange on the unified exchange market.



Spot purchase and sale of foreign exchange is understood to be the purchase and sale of foreign exchange in which the transfer of foreign exchange to the account of the buyer's authorized bank and the transfer of dinars to the account of the seller of the foreign exchange is done immediately according to the contract, but no later than two working days from the date of signing the sales agreement concerning the foreign exchange.

Forward purchase and sale of foreign exchange is understood to mean purchases and sales of foreign exchange which are to be executed after a term between 30 days and one year and which are executed within the period stipulated in the contract.

The forward purchase and sale of foreign exchange shall take place at the rates of exchange which the parties to the contract agree on. The Federal Executive Council may set limits which exchange rates stipulated in contracts for the purchase and sale of foreign exchange may not exceed.

#### Article 30

The National Bank of Yugoslavia shall designate those types of foreign exchange which shall be the subject of purchase and sale on the unified exchange market.

Should major disturbances occur in intercurrency relations with foreign exchange markets abroad, the National Bank of Yugoslavia may temporarily restrict or prohibit the purchase and sale of certain currencies or all foreign currencies on the unified exchange market and on foreign-exchange markets abroad.

#### Article 31

The National Bank of Yugoslavia shall purchase and sell foreign exchange at the interbank meeting of the unified exchange market in order to maintain overall liquidity of payments abroad, to achieve the unified rate of exchange of the dinar, to influence its level, and to secure the country's foreign-exchange reserves.

#### Article 32

The National Bank of Yugoslavia shall designate those types of foreign exchange with which it shall intervene on the unified exchange market.

#### Article 33

Fully authorized banks may purchase and sell foreign exchange on foreign exchange markets abroad under the conditions defined by the National Bank of Yugoslavia.

#### Article 34

The average exchange rates of foreign currencies shall be ascertained on the basis of the rates of exchange at which the transactions of the purchase and

sale of foreign exchange at the interbank meeting of the unified exchange market are concluded.

Buying and selling exchange rates shall be formed on the basis of the average rates of exchange of foreign currencies by adding or subtracting the margin set forth in the regulation on the operating procedure of the unified exchange market.

The buying rates referred to in Paragraph 2 of this article shall be applied in calculating the equivalent dinar value of collection made in foreign currencies for the purpose of the payment of dinars to an organization of associated labor or other social juridical person. The buying rate in effect as of the accounting date shall be applied in the computation. The accounting shall be done within two working days following the date on which the foreign exchange arrived in the account of the authorized bank.

The selling rates referred to in Paragraph 2 of this article shall be applied in computing the equivalent dinar value for payment in foreign exchange which is being made by order of an organization of associated labor or other social juridical person.

The selling rate in effect on the day when the payment is made abroad shall apply in the computation.

Organizations of associated labor and other social juridical persons shall as a rule ascertain the receivables and payables denominated in foreign currencies at the end of every month, but no later than at the end of every quarter, and they shall indicate them in income statements and statements of condition in dinars, according to the average exchange rate in effect on the last day of the month.

#### Article 35

The base for computation of customs duties and other import charges shall be determined by applying the average exchange rates of foreign currencies established at the next to last interbank meeting of the unified exchange market in the month preceding the months in which the obligation arose to pay duty on the goods being imported.

For the purpose of statistics, to denominate import rights, and to compute socially recognized needs in reproduction the exchange rate at which the projection of Yugoslavia's balance of payments was made shall be used. That same rate shall be used in writing off established import rights and socially recognized needs in reproduction which have been computed.

#### IV. International Payments

##### Article 36

International payments shall be made in foreign currencies and dinars.

settlements with countries with which a payments treaty or other international agreement has been concluded, all payment in convertible currencies shall be made in dinars, also agreed convertible currencies or other convertible currencies.

settlements with countries with which an international treaty has been concluded providing a different method of payment shall be made in the payment-  
ing currency authorized by the treaty.

settlements with countries with which an international treaty has not established the method of payment shall be made in dinars and convertible currencies.

The National Bank of Yugoslavia shall prescribe the manner in which international payments shall be made and shall issue an instruction so that international payments are handled uniformly.

#### Article 37

The Federal Executive Council shall define the conditions under which the National Bank of Yugoslavia may approve a different method of international settlement than the manner authorized by the treaty referred to in Article 36 of the law, where that treaty has precluded that method of payment.

The national bank of the republic or national bank of the autonomous province may permit an organization of associated labor to make payment or collection in effective foreign currency under the conditions defined by the National Bank of Yugoslavia.

The national bank of the republic or national bank of the autonomous province may permit an organization of associated labor to make collection for a portion of exports of goods and services in a currency which may not be transferred according to the conditions of the country in question, under the conditions defined by the National Bank of Yugoslavia.

Permissions as referred to in this article shall be granted regarding special export products by the Military Department (Vojni Servis) of the National Bank of Yugoslavia.

#### Article 38

on recommendation of the National Bank of Yugoslavia the Federal Executive Council shall define the conditions under which the national bank of the republic or national bank of the autonomous province may permit an organization of associated labor to offset receivables and payables with foreign countries. The date when permission is granted shall be taken as the date of collection.

The payment of dinars to an exporter and the collection of dinars from an importer whose mutual payables and receivables have been offset shall be made through the exporter's bank authorized bank.

#### Article 39

The Federal Executive Council may set forth the conditions and procedure whereby contracts may stipulate collection for exports of goods and services to certain countries by importing goods.

#### Article 40

International payment shall be conducted through a fully authorized bank unless this law provides otherwise.

The fully authorized bank shall conduct payments traffic with countries with which an agreement has been concluded on the clearing method of payment through the clearing account of the National Bank of Yugoslavia.

#### Article 41

The National Bank of Yugoslavia shall conduct international payments to meet the needs of the Federation and its bodies, agencies and organizations.

The Military Department of the National Bank of Yugoslavia shall also conduct international payments for the transactions which the Federal Directorate for Sales and Reserves of Special-Purpose Products conducts on the account of organizations of associated labor which are manufacturers of special-purpose products.

The manner in which the international payments referred to in Paragraph 2 of this article shall be made shall be prescribed by the Federal Executive Council on the recommendation of the National Bank of Yugoslavia.

#### Article 42

Domestic persons are required to collect for goods exported and services rendered to foreign persons within the contracted period, which may not be longer than 60 days from the date when the goods were exported or when the service was rendered.

Domestic persons are required to collect receivables based on the export of goods and services on credit within the period of time envisaged in the credit contract.

As an exception to the provisions of Paragraph 1 of this article, the national banks of the republics and the national banks of the autonomous provinces may issue one-time permits to collect for goods exported and services rendered over a longer period of time depending on the remoteness of the regions to which the goods are exported or service rendered, the terms and conditions of the sale and the opportunities for selling the particular goods or for rendering the particular services, subject to the conditions and time limits set by the National Bank of Yugoslavia.

An appeal may be filed with the National Bank of Yugoslavia against a decision of a national bank of a republic or national bank of an autonomous province made on the basis of Paragraph 3 of this article.



The national banks of the republics and the national banks of the autonomous provinces shall be required to submit every final permission for extension of the collection period to the National Bank of Yugoslavia for purposes of recordkeeping and supervision.

The Military Department of the National Bank of Yugoslavia may grant the permission referred to in Paragraph 3 of this article when it pertains to special-purpose products.

The date when goods clear customs shall be taken as the date of a commodity's exportation.

The official who heads the federal administrative agency responsible for foreign trade shall prescribe which day shall be taken as the date of rendering services in the context of the provisions of this article and the provisions of Article 44 of this law.

Domestic persons are required to collect receivables on other bases within the stipulated period, which may not be longer than 60 days from the date when the receivable came due.

Individuals working abroad temporarily and individuals working in foreign diplomatic and consular missions of the Socialist Federal Republic of Yugoslavia are required to bring into the country foreign exchange which they possess abroad within 60 days from the date of return to the country.

#### Article 43

If collection in foreign exchange abroad is not made within the periods of time stated in Article 42 of this law, payment of the equivalent dinar value shall be made at the daily exchange rate in effect on the last day of the legally prescribed collection period.

#### Article 44

The following shall be taken as the date of collection in the context of Article 42:

- 1) the day when the foreign exchange was credited to the account of the fully authorized bank;
- 2) the day when the goods being imported cleared customs in foreign-trade transactions in which collection for exports is made by importing goods.

#### Article 45

If an organization of associated labor has been permitted to keep foreign exchange abroad, the day when the amount of foreign exchange was released to the account of the organization of associated labor abroad shall be taken as the date of collection.

#### Article 46

Payment for importation of goods and services may as an exception be made in advance or before the goods are imported or services are rendered, provided a necessary import cannot be obtained otherwise.

Domestic persons are required to import goods paid for in the context of Paragraph 1 of this article or to obtain the service which has been paid for no later than within 60 days from the date when the fully authorized bank executed the payment order.

The day when goods have cleared customs shall be taken as the date of importation.

The date on which a fully authorized bank has issued the order to a foreign bank to make payment to a foreign person or when it issued the notice of payment made from a letter of credit shall be taken as the date of execution of a payment order.

#### Article 47

Organizations of associated labor and other social juridical persons are required to keep records on every export-import transaction and foreign credit transaction concluded, on the execution of those transactions, as well as on payments and collections made in connection with those transactions.

The official who heads the federal administrative agency responsible for finance shall prescribe the manner in which the records referred to in Paragraph 1 of this article shall be kept.

#### Article 48

When foreign business transactions so require, the national bank of the republic or national bank of the autonomous province may permit an organization of associated labor or other social juridical person to keep foreign exchange necessary for that business operation in accounts abroad, under the conditions defined by the National Bank of Yugoslavia.

The National Bank of Yugoslavia may allow federal bodies, agencies and organizations to keep foreign exchange abroad.

The Military Department of the National Bank of Yugoslavia may grant permission to the Federal Directorate for Sales and Reserves of Special-Purpose Products to hold foreign exchange abroad.

Organizations of associated labor which have collected for work done on capital investment projects abroad in foreign currencies may keep foreign exchange in accounts abroad under the conditions stated in Paragraph 1 of this article.

#### Article 49

Organizations of associated labor rendering services in international freight and passenger transportation and personal and property insurance communities and reinsurance communities may contract for the payment and collection for services to be made through an open account established with a foreign partner and to keep foreign exchange in accounts abroad in the context of Article 48 of this law.

The net balance of payables or receivables in the open account during and at the end of the calendar year may amount to as much as twenty percent of the amount of the value of services billed in the previous year.

If the contract referred to in Paragraph 1 of this article should cease to be valid, the payable or receivable balance must be settled within 30 days from the date the contract terminated by the rendering of services or by payment or collection.

Organizations of associated labor which render transportation services in rail and air transportation and organizations of associated labor which render postal, telegraph and telephone services on the basis of international treaties shall pay and collect for services through an open account pursuant to those treaties.

#### Article 50

The domestic persons referred to in Articles 48 and 49 of this law are required to file reports with the national bank of the republic or national bank of the autonomous province on the transactions and balances in accounts abroad as well as other information in the manner and within the intervals defined by the National Bank of Yugoslavia.

The national banks of the republics and the national banks of the autonomous provinces shall file reports with the National Bank of Yugoslavia on transactions and balances of the accounts referred to in Paragraph 1 of this article in the manner and within the intervals specified by the National Bank of Yugoslavia.

On the basis of the reports referred to in Paragraph 2 of this article the National Bank of Yugoslavia shall compile a summary report on the transactions and balances of the accounts referred to in Paragraph 1 of this article and shall report on this to the Federal Executive Council.

#### Article 51

Differences in value which have come about in foreign business transactions as a consequence of transportation risks, discounts, penalties, rebates, value adjustments and the like shall be substantiated with documentation. The body of self-management of the organization of associated labor shall decide on the substantiation of the difference that has come about.

The manner and procedure of substantiation of differences as referred to in Paragraph 1 of this article shall be prescribed by the official who heads the federal administrative agency responsible for finance in agreement with the official who heads the federal administrative agency responsible for foreign trade.

#### Article 52

Payment and collection on the basis of imports and exports of goods and services in local border trade and overseas trade with neighboring countries and through international treaties on fair-related compensation deals shall be regulated in an enactment issued by the Federal Executive Council, which shall first obtain the opinion of the Economic Chamber of Yugoslavia, in conformity with this law and international treaties on such transactions.

The enactment referred to in Paragraph 1 of this article shall regulate payment and collection related to compensation deals and other specific forms of foreign-trade transactions.

#### Article 53

Organizations of associated labor which engage in the business of acting as intermediary or agent in importing and exporting shall make payments and collections in such transactions under the conditions prescribed by the Federal Executive Council, which shall first obtain the opinion of the Economic Chamber of Yugoslavia.

#### Article 54

Foreign persons may deposit dinars and foreign exchange in sight deposits, accounts requiring a period of notice before withdrawal, or time deposits only with authorized banks.

The National Bank of Yugoslavia may define the conditions under which the resources of foreign persons may be accepted in deposit.

#### Article 55

Foreign persons may realize dinar receivables in an account with an authorized bank, as follows:

- 1) with a purchase of dinars for foreign exchange as referred to in Article 30, Paragraph 1, of this law;
- 2) by selling to a domestic person for dinars goods and services which the domestic person has the right to import and pay for under the provisions of this law and enactments issued on the basis of this law;
- 3) by a transfer from an account of another foreign person who has resources on one of the bases referred to in Subparagraphs 1 and 2 of this paragraph.

Foreign persons may use the dinar claims realized under the provisions of Paragraph 1 of this article to pay for goods and services and to make other



payments within Yugoslavia, for transfer abroad, and for transfer to another foreign person.

Foreign persons may also use dinar claims realized under the provisions of Paragraph 1 of this article to extend credit to organizations of associated labor and other social juridical persons. Organizations of associated labor and other social juridical persons may take those credits in conformity with the federal law regulating foreign credit relations.

Dinar claims which organizations of associated labor collect through the sale of goods and services to a foreign person in Yugoslavia and which are transferable shall be treated in the same manner as a collection made in foreign exchange.

#### Article 56

Foreign persons may keep the dinar claims which they realize on other bases than the bases enumerated in Article 55, Paragraph 1, of this law in an account in an authorized bank and use them for certain payments in Yugoslavia, for transfer to other foreign persons and for transfer abroad under the conditions set forth by the Federal Executive Council with consent of the competent bodies of the republics and autonomous provinces.

Organizations authorized to carry on international cultural cooperation may make payments in currency to individuals and groups from abroad for cultural and entertainment performances in Yugoslavia under the conditions stated in Paragraph 1 of this article.

#### Article 57

The prices of services rendered by domestic persons to foreign persons in Yugoslavia and to domestic persons between foreign points and the prices of tourist services which domestic organizations of associated labor render to foreign persons in Yugoslavia may be denominated in a foreign currency, but they shall be collected exclusively in dinars, unless this law provides otherwise.

Foreign physical persons may pay for services and goods with credit cards and checks of foreign banks.

Domestic physical persons rendering tourist services to foreign persons in Yugoslavia shall collect for those services through hotel-and-restaurant organizations of associated labor and tourist agencies.

Representative offices of foreign air carriers in Yugoslavia may sell their travel documents for transportation services between foreign points to domestic and foreign persons in Yugoslavia for foreign exchange, in conformity with international treaty.

## **V. Foreign Exchange Transactions of Banks**

### **Article 58**

Banks which fulfill the prescribed conditions for conducting such transactions shall conduct the transactions of international payments, foreign credit transactions, currency exchange transactions and exchange-office transactions in Yugoslavia.

The National Bank of Yugoslavia shall issue authorizations to banks for conducting the transactions of international payments and foreign credit transactions and the national banks of the republics and national banks of the autonomous provinces shall do so for the conduct of currency exchange transactions within the country.

The authorization referred to in Paragraph 2 of this article may also be issued to the postal savings bank within the limits of its business operation as set forth in federal law.

Fully authorized banks shall be entered in a separate register kept by the National Bank of Yugoslavia.

### **Article 59**

Foreign exchange which fully authorized banks have in accounts abroad shall be used for making payments abroad in conformity with this law.

The National Bank of Yugoslavia may prescribe the minimum amount of foreign exchange which fully authorized banks must keep in accounts abroad and the maximum amount of foreign exchange which those banks may keep in accounts abroad, depending upon the particular bank's share in the total payments traffic of all authorized banks in Yugoslavia and on the level foreign-exchange reserves in particular authorized banks.

### **Article 60**

An authorized bank may convert foreign exchange in a foreign exchange account for a payment abroad for domestic and foreign persons at their request.

The National Bank of Yugoslavia, if exceptional circumstances so require, may temporarily restrict the conversion of foreign exchange in a foreign exchange account of domestic persons or in the foreign exchange or dinar account of a foreign person.

### **Article 61**

The National Bank of Yugoslavia shall define the conditions under which fully authorized banks may deposit funds in accounts abroad for an indefinite period with a notice period required for withdrawal and in time deposits.

## Article 62

The National Bank of Yugoslavia may prescribe in which foreign banks fully authorized banks may have foreign-exchange accounts.

Fully authorized banks are required to file reports with the National Bank of Yugoslavia on transactions and balances in those accounts within the periods and in the manner prescribed by the National Bank of Yugoslavia.

## Article 63

Authorized banks are required to adopt annual, semi-annual, quarterly and monthly plans of the inflow and outflow of foreign exchange in keeping with the plans and programs for exports and imports of their members. Authorized banks are required to monitor fulfillment of plans and programs for exports and imports of the organizations of associated labor which are their members. Authorized banks are required to file plans of the inflow and outflow of foreign exchange with the National Bank of Yugoslavia within the prescribed period for the purpose of ascertaining the total capabilities and obligations for making payments abroad.

The National Bank of Yugoslavia shall prescribe the intervals and methodology for drafting the plans of exchange inflow and outflow referred to in Paragraph 1 of this article.

## Article 64

Authorized banks shall sell foreign exchange to and purchase foreign exchange from citizens and civil juridical persons in their own name and on their own account at the daily exchange rate formed at the interbank meeting of the unified foreign-exchange market.

Authorized banks shall make spot sales and purchases of foreign exchange with foreign persons in their own name and on their own account at the exchange rate formed at the interbank meeting of the unified foreign-exchange market.

## VI. Foreign Exchange Reserves

### Article 65

The foreign exchange reserves of Yugoslavia shall consist of the following:

- 1) claims and accounts abroad of the National Bank of Yugoslavia, authorized banks and other domestic persons;
- 2) securities denominated in foreign money units possessed by the National Bank of Yugoslavia, authorized banks and organizations of associated labor;
- 3) monetary gold;
- 4) effective foreign money.

Yugoslavia's foreign exchange reserves shall consist of permanent foreign exchange reserves and current foreign exchange reserves.

The permanent foreign exchange reserves constitute the part of total foreign exchange reserves of Yugoslavia with which the minimum overall liquidity of foreign payments is guaranteed.

Current foreign exchange reserves are the part of Yugoslavia's total foreign exchange reserves with which current liquidity of foreign payments is guaranteed in conformity with the projected proportions of Yugoslavia's balance of payments.

The balance in clearing accounts shall be indicated separately.

#### Article 66

Yugoslavia's foreign exchange reserves shall be used to maintain the country's general liquidity in international payments and for interventions on the unified exchange market depending on the dinar's exchange rate and in conformity with the country's economic policy and the policy governing foreign exchange reserves.

#### Article 67

The policy governing foreign exchange reserves embraces establishment of the volume and pattern of Yugoslavia's total foreign exchange reserves and the sources and manner of their formation and use.

#### Article 68

The SFRY Assembly shall establish the minimum amount of permanent foreign exchange reserves and current foreign exchange reserves for each year as well as the criteria governing their use.

The volume of payments envisaged in the projection of Yugoslavia's balance of payments shall serve as the framework for establishing current foreign exchange reserves.

#### Article 69

The National Bank of Yugoslavia and fully authorized banks shall manage Yugoslavia's foreign exchange reserves in conformity with the policy governing foreign exchange reserves which has been set forth.

The National Bank of Yugoslavia shall manage the permanent foreign exchange reserves. Use of permanent foreign exchange reserves shall be proposed by the National Bank of Yugoslavia and decided by the Federal Executive Council in conformity with the criteria set forth on the basis of Article 68, Paragraph 1, of this law.

The National Bank of Yugoslavia shall submit to the Federal Executive Council and SFRY Assembly a report on conduct of the policy governing foreign exchange reserves.



## Article 70

The National Bank of Yugoslavia shall purchase foreign exchange for Yugoslavia's foreign exchange reserves at the interbank meeting of the unified exchange market.

The National Bank of Yugoslavia may borrow abroad in order to maintain Yugoslavia's liquidity in international payments, in the manner envisaged by federal law.

The National Bank of Yugoslavia shall purchase and sell foreign exchange abroad in order to guarantee the appropriate proportions among currencies in the foreign-exchange reserves which it manages.

## VII. Foreign Exchange Possessed by Individuals and Civil Juridical Persons

### Article 71

Individuals and civil juridical persons may sell foreign exchange which they have brought in or received from abroad to an authorized bank or authorized exchange office, and they may place convertible foreign exchange in a foreign-exchange account or foreign-exchange savings account in an authorized bank.

Individuals and civil juridical persons may use foreign exchange which they have in a foreign-exchange account or foreign-exchange savings account to pay for the importation of goods and to make other payments abroad for their own purposes, and individuals may also do so to meet the needs of members of their family.

In the context of Paragraph 2 of this article and Article 75 of this law "members of an individual's family" means spouse, children and parents.

Individuals and civil juridical persons may bequeath for scientific, humanitarian and other purposes in Yugoslavia foreign exchange which they hold in a foreign-exchange account or hold as a foreign-exchange savings deposit.

The National Bank of Yugoslavia shall prescribe the manner in which the foreign-exchange account and foreign-exchange savings account shall be administered.

### Article 72

Foreign natural persons may keep foreign exchange in a foreign-exchange account or foreign-exchange savings account with authorized banks.

#### Article 73

Individuals and civil juridical persons may keep foreign exchange in foreign-exchange accounts and foreign-exchange savings accounts either as sight deposits or time deposits.

#### Article 74

Life insurance premiums paid in foreign exchange by Yugoslavs employed abroad temporarily during their stay abroad and by foreign physical persons on policies with domestic insurance communities shall be kept in a consolidated life insurance account in an authorized bank.

Foreign exchange in the consolidated account referred to in Paragraph 1 of this article shall be treated as foreign-exchange savings, and the provisions of Articles 71 through 78 of this law shall apply to it.

A domestic insurance community, acting as agent of the person referred to in Paragraph 1 of this article, shall use the foreign exchange in the consolidated account referred to in Paragraph 1 of this article to pay indemnities in foreign exchange on the basis of life insurance premiums paid.

In writing life insurance policies denominated in dinars the life and property insurance community shall pay dividends earned on life insurance in dinars and foreign exchange in proportion to the time Yugoslav citizens have spent abroad during temporary employment.

#### Article 75

Authorized banks shall pay interest in dinars on the foreign exchange in foreign-exchange accounts and foreign-exchange savings accounts of individuals and civil juridical persons except on foreign exchange in the foreign-exchange accounts and foreign-exchange savings accounts of Yugoslav nationals employed abroad temporarily while they are abroad and Yugoslav emigres, on which interest shall be paid in foreign exchange or, at their request, in foreign exchange and dinars, or in dinars.

Authorized banks shall pay interest in foreign exchange on the foreign-exchange accounts and foreign-exchange savings accounts of foreign natural persons or, at their request, in foreign exchange and dinars, or in dinars.

The Federal Executive Council shall prescribe which individuals are regarded as Yugoslav nationals employed abroad temporarily in the context of Paragraph 1 of this article, the documentation on the basis of which the authorized bank may compute and pay interest in foreign exchange, and also the manner and periods of time for submittal of that documentation.

#### Article 76

The authorized bank shall be required to safeguard the secrecy of information about the foreign-exchange accounts of individuals and foreign-exchange savings accounts of individuals.

Information about the foreign-exchange accounts of individuals and foreign-exchange savings accounts of individuals may be released only at the written request of a court.

#### Article 77

Authorized banks may sell foreign exchange to meet the needs of individuals and civil juridical persons in the fields of health care and education, for traveling and moving expenses abroad, to support family members abroad, to meet court costs and other costs abroad, for tourist travel abroad and for other purposes, in the amounts and under the conditions prescribed by the Federal Executive Council.

#### Article 78

The Federal Executive Council shall prescribe the conditions under which individuals and civil juridical persons may use dinars for the following purposes:

- 1) to purchase coupons for payment of motor gasoline abroad;
- 2) to pay for services rendered by foreign persons in international passenger transportation;
- 3) to pay expenses of group and individual trips abroad to domestic tourist agencies.

#### VIII. Carrying Dinars, Foreign Exchange and Securities Out Of and Into the Country

##### Article 79

Dinars shall be carried into and out of Yugoslavia in international passenger traffic in the amounts and denominations prescribed by the National Bank of Yugoslavia.

Dinars and negotiable instruments denominated in dinars, effective foreign money and negotiable instruments denominated in a foreign currency shall be sent out of Yugoslavia in the mails or by other shipment under the conditions prescribed by the National Bank of Yugoslavia.

Dinars and negotiable instruments denominated in dinars shall be brought into Yugoslavia through the mails and by other shipment under the conditions prescribed by the National Bank of Yugoslavia.

##### Article 80

Foreign exchange may be freely brought into Yugoslavia.

The Federal Executive Council may prescribe mandatory declaration of a specified amount of effective foreign currency being carried into or out of

## **Yugoslavia.**

Yugoslav nationals may carry abroad only foreign exchange which they withdraw from foreign-exchange accounts and foreign-exchange savings accounts and foreign exchange which they purchase from an authorized bank in conformity with regulations.

Foreign nationals and Yugoslav citizens employed abroad temporarily may on departure from Yugoslavia carry out foreign exchange which they freely dispose of in Yugoslavia in conformity with regulations.

Dinars which foreign nationals and Yugoslav citizens employed abroad temporarily possess in Yugoslavia and which derive from foreign exchange sold to an authorized bank or exchange office may be carried out of Yugoslavia in the denominations and amounts permitted to be carried out.

### **Article 81**

Yugoslav nationals may not have current accounts and other accounts abroad, foreign savings account passbooks and credit cards of foreign issuers, nor may they purchase foreign securities or borrow abroad.

Yugoslav nationals while employed abroad temporarily or while working in foreign diplomatic and consular missions of the Socialist Federal Republic of Yugoslavia and emigres who have returned to the country may have current accounts and other accounts abroad.

Non-negotiable domestic savings account passbooks denominated in dinars and domestic and foreign savings account passbooks which foreign nationals and Yugoslav citizens employed abroad temporarily or working in foreign diplomatic and or consular missions of the Socialist Federal Republic of Yugoslavia possess and which are denominated in foreign currencies may be carried or sent out of Yugoslavia.

Non-negotiable domestic savings account passbooks denominated in dinars may be carried or sent out of Yugoslavia only with permission of the national bank of the republic or national bank of the autonomous province in conformity with the conditions prescribed by the National Bank of Yugoslavia.

### **Article 82**

Domestic securities denominated in foreign exchange or dinars may be freely carried or sent out of Yugoslavia and carried or sent into Yugoslavia.

Foreign securities may be freely carried or sent into Yugoslavia, but they may be carried or sent out of Yugoslavia only with permission of the national bank of the republic or national bank of the autonomous province, in conformity with the conditions prescribed by the National Bank of Yugoslavia.

### **Article 83**

Foreign securities, coupons of foreign securities and foreign savings ac-



count passbooks may be redeemed through fully authorized banks by Yugoslav nationals while they are employed abroad temporarily, and after their definitive return to the country they may be redeemed through fully authorized banks.

Yugoslav nationals who on the basis of inheritance or on some other basis become entitled to foreign securities, coupons of foreign securities and foreign savings account passbooks may redeem them through fully authorized banks.

The negotiable instruments referred to in Paragraphs 1 and 2 of this article may be sold to fully authorized banks and the equivalent value collected in dinars or foreign exchange, pursuant to regulations.

#### Article 84

Checks drawn on foreign persons in Yugoslavia may not be resold nor endorsed in Yugoslavia.

Checks denominated in dinars drawn in Yugoslavia may not be honored if they carry the endorsement of a foreign person.

#### IX. The Sale of Gold

#### Article 85

Newly mined gold and gold coin may be exported and carried abroad as follows:

- 1) by the National Bank of Yugoslavia - in newly mined form or coin;
- 2) by organizations of associated labor engaged in the production of gold (hereinafter "gold producers") - in newly mined form.
- 3) by fully authorized banks - in minted form.

Domestic persons, other than the persons referred to in Paragraph 1 of this article, may export and carry abroad newly mined gold and gold coin only with permission of the National Bank of Yugoslavia.

#### Article 86

Gold producers may sell newly mined gold to organizations of associated labor which use gold within the limits of their regular activity and to government agencies for their purposes (hereinafter "gold users") as well as to the National Bank of Yugoslavia, or they may sell it abroad.

Gold users and the National Bank of Yugoslavia may purchase newly mined gold abroad.

Gold users shall pay for newly mined gold being imported and shall collect for newly mined gold being exported within the limits and up to the amount

set forth in the permit (D) of the federal administrative agency responsible for foreign trade.

#### Article 87

Only gold users may melt gold and process gold in bars, and that for their own purposes and to meet the needs of other gold users.

The melting down of gold coin shall be prohibited.

#### Article 88

Authorized banks, gold processors and gold refineries may substitute articles of gold and gold scrap for gold dental sheet.

Authorized banks may substitute gold coin for gold dental sheet.

#### Article 89

Authorized banks may purchase gold coin from domestic and foreign persons at the price at which such gold is sold on the world market.

#### Article 90

Gold producers are required to keep records on quantities of gold produced and sold, and gold users on quantities of gold purchased and processed.

The federal secretary for finance shall prescribe the manner in which the records referred to in Paragraph 1 of this article shall be kept.

#### Article 91

In the context of this law "gold" does not refer to articles of gold and gold scrap.

For the purpose of this law "articles of gold" means jewelry, decorations, commemorative medallions, gold articles which have artistic value, liquid gold, gold dental sheet, other gold dental materials, and semifinished gold products.

For the purpose of this law "gold scrap" means articles of gold which are purchased or sold according to weight, purity and the price of pure gold, not taking into account the costs of manufacture.

For the purpose of this law "gold bars" means newly mined gold in whatever form.

For the purpose of this law "gold coin" means all types of gold coins regardless of whether they are legal tender in any country.

## Article 92

If the status of liquidity in international payments, the level and pattern of foreign-exchange reserves and other reasons so require, the Federal Executive Council may restrict or prohibit gold from being exported or carried abroad and may restrict sales of gold within the country.

## X. Special Provisions on International Payments

### Article 93

Until dinar convertibility and stable equilibrium in the country's balance of payments are established, payments for imports of goods and services and all other payments to foreign countries shall be made according to the provisions of Articles 94 through 145 and also according to the other provisions of this law which are not in opposition to those provisions.

### Article 94

Foreign exchange shall be purchased and sold between fully authorized banks at the interbank meeting of the unified foreign-exchange market, in which the National Bank of Yugoslavia shall participate.

Foreign exchange shall also be purchased and sold directly between fully authorized banks if the supply of and demand for foreign exchange were balanced at the last interbank meeting of the unified foreign-exchange market, that is, if the conditions have not come about for application of Article 110 of this law, but all such purchases and sales of foreign exchange shall be recorded at the next interbank meeting of the unified foreign-exchange market.

The purchase and sale of foreign exchange in the context of this article shall be regulated by the enactment referred to in Article 26, Paragraph 2, of this law.

### Article 95

Organizations of associated labor and other social juridical persons shall be required to report payments made in sizable amounts to the fully authorized bank through which those payments abroad are made.

The fully authorized bank shall be required to report the payments referred to in Paragraph 1 of this article to the National Bank of Yugoslavia within the intervals and in the manner stated in the enactment referred to in Article 26, Paragraph 2, of this law, which shall also define what is to be considered a payment in sizable amount for the purpose of timely inclusion in the joint foreign-exchange position referred to in Article 102 of this law.

### Article 96

The Federal Executive Council shall set the limits of exchange rates referred to in Article 29, Paragraph 4, of this law.

#### Article 97

Organizations of associated labor and other social juridical persons shall establish the right to make payment abroad and the size of the payment which may be made abroad through the import regime: free importation (L8), provisionally free importation (L80), quota (K) and permit (D).

Raw materials and production supplies which come under the regime of provisionally free importation (L80) and inviolable payments to meet the needs of reproduction of organizations of associated labor shall be paid for on the basis and within the limits of their socially recognized needs in reproduction, which shall be computed in conformity with this law.

When rights to import are being established on the basis of quotas and permits pursuant to the federal law regulating foreign commerce, priority shall go to organizations of associated labor whose exports and inflow of foreign exchange exceed their imports and which are establishing links and carrying out joint development programs for the purpose of joint exports and mutual deliveries.

The priority referred to in Paragraph 3 of this article shall also go to those organizations of associated labor whose exports and inflow of foreign exchange have exceeded their imports when they are given credit for the portion of exports they could not realize because of prohibitions or restrictions.

#### Article 98

The fully authorized bank through which a collection has been made from abroad in foreign exchange or another fully authorized bank or the bank referred to in Article 108 of this law shall pay the equivalent dinar value to the organization of associated labor or other social juridical person whose goods or service were exported unless this law provides otherwise.

The equivalent dinar value referred to in Paragraph 1 of this article shall be paid on the basis of the payment order of the organization of associated labor which conducted the export transaction. The payment order must conform to the authorization obtained from the organization of associated labor on whose account the export transaction was conducted.

The fully authorized bank through which a collection has been made from abroad in foreign exchange shall pay the equivalent dinar value within a period of two working days from the day when the collection was made from abroad. If the equivalent dinar value is being paid by another fully authorized bank or the bank referred to in Article 108 of this law, the bank in question is required to do so within the next two working days following the period allowed for the fully authorized bank through which the collection in foreign exchange was made from abroad.



The equivalent dinar value pertaining to collections made from abroad in foreign exchange shall be paid at the rate of exchange as of the date when collection was made within the period of two working days from the date of collection in the context of Article 42, Paragraph 8, and Article 44, Subparagraph 1, of this law or from the date when the bank was notified that collection had been made.

If a fully authorized bank does not pay the equivalent dinar value within the prescribed period of time, that bank shall bear all the costs arising therefrom.

If the equivalent dinar value is not paid through the fully authorized bank referred to in Article 108, Paragraph 1, of this law, the fully authorized bank which paid the equivalent dinar value is required to inform the bank referred to in Article 108, Paragraph 1, of this law to that effect at the same time when the equivalent dinar value is paid.

The authorized bank referred to in Article 108 of this law shall record a collection from abroad on which the equivalent dinar value referred to in Paragraph 1 of this law has been paid for the purpose of monitoring inflow and outflow plans.

The fully authorized bank through which foreign exchange has been collected from abroad shall not transfer exchange from its account abroad to an account abroad of another fully authorized bank when it or the bank referred to in Article 108 of this law has paid the equivalent value, but it shall record it in its own records as a portion of the foreign-exchange position of the bank which has paid the equivalent dinar value.

The fully authorized bank which has paid the equivalent dinar value referred to in Paragraph 1 of this article, within the limits of the joint foreign-exchange position referred to in Article 102, Paragraph 3, of this law, may use the foreign exchange referred to in Paragraph 8 of this article to make payments abroad or may sell it on the unified foreign-exchange market.

#### Article 99

The fully authorized bank shall conduct international payments on the basis of payment orders of organizations of associated labor and other social juridical persons, who shall be required to pay the equivalent dinar value in the amount corresponding to the equivalent in foreign exchange of the order executed, at the rate of exchange in effect on the day when the order was executed abroad or on the day when payment was made from a letter of credit.

The fully authorized bank shall be required to make payments abroad in conformity with payment orders and by the dates when those payments come due.

If a fully authorized bank does not make payments abroad within the period of time referred to in Paragraph 2 of this article, all costs arising

because of lateness in executing the order for payment abroad shall be borne by the fully authorized bank except when the provision of Article 110 of this law is in effect.

A fully authorized bank making current payments abroad on the basis of orders of an organization of associated labor or other social juridical person is required at the same time when it makes the current payment abroad to inform the fully authorized bank referred to in Article 108, Paragraph 1, of this law.

#### Article 100

As an exception to the provisions of Articles 93 through 145 of this law, fully authorized banks may allow a collection made in foreign exchange to be credited to the foreign-exchange account of an organization of associated labor or other social juridical person on the following grounds:

- 1) performance of work on capital investment projects abroad;
- 2) brokerage in foreign trade as referred to in Article 70 of the Law on Foreign Commerce;
- 3) agency transactions;
- 4) the sale of foreign goods from an import consignment warehouse.
- 5) the foreign exchange of a foreign person invested in an organization of associated labor.

Organizations of associated labor shall keep foreign exchange in foreign-exchange accounts on the basis of the provisions stated in Paragraph 1, Subparagraph 2, of this article until the transaction has been completed.

Foreign exchange earned as a commission may not be credited to the foreign-exchange account of organizations of associated labor acting as brokers in foreign trade, engaged in the agency business, or selling foreign commodities from import consignment warehouses.

Organizations of associated labor rendering services of games of chance to foreign persons in gambling houses not open to the general public may hold a portion of effective foreign means of payment realized on that basis up to the amount allowed them by the body issuing the permit for rendering such services.

A fully authorized bank may credit foreign exchange realized on the bases referred to in Paragraph 1 of this article to a foreign-exchange account if a contract has been concluded with the organization of associated labor which is making collection on those bases.

A fully authorized bank shall keep records on the basis of the transactions and status of accounts referred to in Paragraph 1 of this article and shall inform the National Bank of Yugoslavia of changes which have been made.

#### Article 101

Within the limits of the proportions in Yugoslavia's balance of payments the National Bank of Yugoslavia, shall intervene on the interbank meeting of the unified exchange market on behalf of its normal functioning by purchasing the surplus of the supply of foreign exchange over the demand and by selling foreign exchange to cover the difference between the supply and demand of foreign exchange.

In order to cover the difference between the supply and demand of foreign exchange referred to in Paragraph 1 of this article the National Bank of Yugoslavia shall intervene in conformity with the country's foreign-exchange reserves policy.

#### Article 102

The fully authorized bank shall ascertain the daily foreign-exchange position and submit it to the National Bank of Yugoslavia.

The daily foreign-exchange position of the fully authorized bank shall embrace all available means of international payment and all payments abroad coming due within the period of time stated in the enactment referred to in Article 25, paragraph 2, of this law.

On the basis of the daily foreign-exchange positions of fully authorized banks the National Bank of Yugoslavia shall elaborate the joint daily foreign-exchange position in order to ascertain the total supply and demand of foreign exchange, on which basis foreign exchange shall be purchased and sold on the unified exchange market.

A fully authorized bank may use foreign exchange in excess of the prescribed minimum in conformity with and within the limits of the joint daily foreign-exchange position referred to in Paragraph 3 of this article.

The fully authorized bank shall be required to offer foreign exchange over and above the prescribed maximum at the interbank meeting of the unified exchange market in accordance with the joint daily foreign-exchange position referred to in Paragraph 3 of this article.

Pursuant to this law the fully authorized bank may use the foreign exchange referred to in Paragraph 4 of this article to make payments abroad from its own daily foreign-exchange position when within the limits of the joint daily foreign-exchange position the supply of foreign exchange is greater than or equal to the demand.

When according to the joint daily foreign-exchange position the supply of foreign exchange is smaller than the demand, the foreign exchange referred to in Paragraph 4 of this article shall be used to make payments abroad in conformity with Article 110 of this law.

The manner of ascertaining the daily foreign-exchange position and the intervals within which fully authorized banks shall file them with the National Bank of Yugoslavia shall be regulated by the enactment referred to in Article 26, Paragraph 2, of this law.

#### Article 103

At the request of an authorized bank the National Bank of Yugoslavia shall be required to accept in deposit foreign exchange which individuals have effectively placed in foreign-exchange accounts or foreign-exchange savings deposits after this law has taken effect.

The manner and conditions of the depositing and withdrawal of foreign exchange from deposits with the National Bank of Yugoslavia shall be prescribed by the Federal Executive Council on the recommendation of the National Bank of Yugoslavia.

#### Article 104

There shall be a single real exchange rate of the dinar which shall apply to all types of economic transactions with foreign countries.

The dinar's exchange rate shall be established as follows:

i. in line with the relative relationship of prices on the domestic and foreign markets and intercurrency relations in order to maintain the level of international competitiveness of exports which has been attained;

ii. in line with economic policy and achievement of Yugoslavia's balance of payments;

iii. in line with the supply and demand of foreign exchange on the unified foreign-exchange market.

The Federal Executive Council shall prescribe the methodology for setting the dinar's exchange rate on the recommendation of the National Bank of Yugoslavia.

The Federal Executive Council shall report at least once a year to the SFRY Assembly on achievement of the policy of the exchange rate of the dinar.

#### Article 105

On behalf of achieving a policy of foreign-exchange reserves which the National Bank of Yugoslavia manages and maintaining liquidity in international payments the projection of Yugoslavia's balance of payments shall set forth the amount of foreign exchange which fully authorized banks shall every year transfer from current inflow of foreign exchange to the account of the National Bank of Yugoslavia abroad.



#### Article 106

The National Bank of Yugoslavia shall intervene at the interbank meeting of the unified foreign exchange market with the foreign exchange of current foreign-exchange reserves which it manages in order to bridge the time gap between the inflow and outflow of foreign exchange so as to maintain the level of those reserves in keeping with the projection of Yugoslavia's balance of payments.

#### Article 107

Payments abroad shall be made within the limits or the proportions in Yugoslavia's balance of payments and in line with the achievement of those proportions; in all of this particular consideration shall be paid to cash flows.

The volume of payments of obligations on foreign credits, the volume of payments for imports of goods by the forms of importation set forth in federal law (LB, LBO, K, and D), by purposes (reproduction, equipment and general consumption), services, and with respect to the needs of sociopolitical communities, shall be set forth in the projection of Yugoslavia's balance of payments for each year.

#### Article 108

The organization of associated labor shall select the fully authorized bank which is to compute the socially recognized needs in reproduction and to keep the records in the context of Article 126 of this law, but current international payments may be made through any fully authorized bank.

Documentary foreign-exchange supervision concerning a foreign-trade transaction which has been reported shall be done by the fully authorized bank with which the notification of that transaction was filed.

#### Article 109

The fully authorized bank shall make all international payments on the basis of payment orders presented it by social juridical persons and accompanied by payment of the equivalent dinar value, pursuant to the provisions of this law.

Organizations of associated labor and other social juridical persons which are users of credit shall be required to pay the equivalent dinar value of an obligation which has come due to a fully authorized bank before the due date of the obligation on foreign credits and on obligations under conventions.

Obligations come due on foreign credits must be paid by the fully authorized bank which has issued the guarantee covering those credits in accordance with federal law.

As an exception to the provision of Paragraph 1 of this article, if an organization of associated labor has not presented an order to pay obligations come due on foreign credits, accompanied by payment of the equivalent dinar value, the fully authorized bank shall be required to make the payment abroad and to block the giro account of the organization of associated labor, to which all costs arising because of the failure to post the equivalent dinar value shall be charged.

#### Article 110

When a discrepancy occurs between the total supply and demand of foreign exchange on the unified foreign-exchange market which can not be balanced by the interventions of the National Bank of Yugoslavia by purchasing and selling foreign exchange on the unified foreign-exchange market within the limits of the joint daily position, foreign exchange shall be furnished to make payments abroad for these purposes:

- i. obligations pertaining to foreign credits and obligations under conventions;
- ii. imports of raw materials and production supplies and invisible payments to meet the production needs of organizations of associated labor whose exports should have been greater than their imports if part of their exporting had not been prohibited or restricted during the year;
- iv. priority needs of federal bodies, agencies and organizations;
- v. importation of energy raw materials;
- vi. importation of consumer goods.

The Federal Executive Council may establish the order of priority in making payments for the particular purposes enumerated in Paragraph 1 of this article, but at the interbank meeting of the unified foreign-exchange market priority of payments to meet obligations under foreign credits and obligations under conventions and to import raw materials and production supplies and to make invisible payments to meet the production needs of organizations of associated labor whose exports are greater than their imports shall be guaranteed.

As an exception to the provisions of Paragraphs 1 and 2 of this article, the Federal Executive Council may also establish other purposes and a different order of priority in making payments abroad for which foreign exchange shall be furnished at the interbank meeting of the unified foreign-exchange market.

Payments abroad for the purposes enumerated in this article shall have the same priority within the limits of the daily foreign-exchange position, regardless of the balance of accounts abroad of the individual banks, as a function of the order of priority of payment. Until payments have been made

for one class in the order of priority of payments, payments may not be made for the established purposes in the following classes in the order of priority for payment.

If a fully authorized bank does not make payments pursuant to the provisions of this article, the National Bank of Yugoslavia shall restrict current international payments.

When the balance of payments is not being achieved in conformity with the projection of the balance of payments in spite of the additional measures taken to augment exports as referred to in Article 24, Paragraph 1, of this law, the Federal Executive Council shall take the steps enumerated in Article 24, Paragraph 2 and 4, of this law and shall propose to the SFRY Assembly amendments and supplements to the projection of Yugoslavia's balance of payments.

#### Article 111

Goods and services whose importation is unrestricted (LB) shall be paid for freely.

#### Article 112

Goods and services whose importation is provisionally free (LBO) shall be paid for within the limits of the established volume of payments abroad.

#### Article 113

Goods which are required to be imported on the basis of a quota (K) and a permit (D) shall be paid for up to the established right to import and up to the quantities or value stated in the quota or the permit, in proportion to achievement of the projection of Yugoslavia's balance of payments.

#### Article 114

Socially recognized needs in reproduction shall embrace the payment for imports of raw materials, production supplies and invisible payments indispensable to the current reproduction of organizations of associated labor within the framework of provisionally free importation (LBO).

Equipment, consumer goods, goods being imported on the basis of long-term contracts for international industrial cooperation and temporary imports of goods which are governed by the regime of provisionally free importation shall not be included in the base for computation of socially recognized needs in reproduction.

#### Article 115

The projection of Yugoslavia's balance of payments shall set forth the volume of payments for the importation of equipment.

Imports of equipment shall be paid for within the limits of a portion of the depreciation on equipment and a portion of the actual exports of the individual organization of associated labor.

The resolution on the policy to achieve the medium-term social plan of Yugoslavia shall state the size of the portion of depreciation on equipment and the portion of actual exports to be used as the basis for computing the volume of payment for imports of equipment.

The projection of Yugoslavia's balance of payments shall state the ratio of the volume of payment on imports of equipment on credit and for cash.

The authorized bank referred to in Article 108, Paragraph 1, of this law shall compute the volume of payments on imported equipment referred to in Paragraph 2 of this article for the organization of associated labor. An instruction on the application of this paragraph shall be issued by the official who heads the federal administrative agency responsible for finance.

#### Article 116

Organizations of associated labor shall make payments abroad on the basis of Articles 111 through 115 exclusively to meet their own needs.

#### Article 117

The socially recognized needs in reproduction for each individual organization of associated labor in the current year shall be calculated on the basis of the value of imports and invisible payments in the previous year as referred to in Article 114 of this law, and that for goods whose importation is provisionally free and invisible payments which serve the purpose of reproduction.

Socially recognized needs in reproduction in the current year shall be increased or reduced in proportion to the increase or reduction of exports in that year as compared to the previous year.

Socially recognized needs in reproduction shall be established each year as a function of the distribution of goods and services among the various forms of importation.

The projection of Yugoslavia's balance of payments shall state the volume of payments for goods under the regime of provisionally free importation for organizations of associated labor commencing production in the current year or during the past year. The Economic Chamber of Yugoslavia shall establish the socially recognized needs in reproduction for those organizations of associated labor.

#### Article 118

In the case of an organization of associated labor which in taking credit



abroad has assumed the obligation to augment exports, but has not fulfilled that obligation, the bank referred to Article 108 shall reduce its socially recognized needs in reproduction by the value of the unmet obligation to augment exports.

When an organization of associated labor using credit from abroad for the purpose of current production and exports does not achieve those exports, the bank referred to in Article 108 of this law, in addition to diminishing socially recognized needs in reproduction as referred to in Articles 108 and 119 of this law, shall also diminish socially recognized needs in reproduction by the value of the exports unattained.

#### Article 119

The socially recognized needs in reproduction referred to in Article 117 of this law may be increased as follows:

1) in the case of an organization of associated labor whose exports are larger than imports and also an organization whose exports would have been larger than its imports if it had not been prohibited or restricted in exporting in the current year up to the limit of the growth of exports in the current year;

2) in the case of an organization of associated labor whose imports are larger than its exports, and also in the case of an organization of associated labor which is prohibited from exporting - in proportion to the growth of exports or in proportion to the exports prohibited in the current year up to 50 percent of the growth of exports in the current year;

The increase of socially recognized needs in reproduction shall be established for organizations of associated labor which are not exporters by the Federal Executive Council on the basis of exports achieved in the first five months of the current year.

The authorized bank shall be required to reduce the socially recognized needs in reproduction of the organizations of associated labor referred to in Paragraph 1, Subparagraphs 1 and 2, of this article if the exports of organizations of associated labor are smaller in the current year, by the amount in the drop in exports.

#### Article 120

As an exception to the provisions of Article 119 of this law, the authorized bank may increase the socially recognized needs in reproduction of an organization of associated labor at its request if that organization of associated labor has concluded a contract on exports under which its exports in the current year will be larger than its imports.

If it finds during the year that the contract calling for augmented exports referred to in Paragraph 1 of this article is not being performed and is not being achieved, the authorized bank will reduce by that amount the computed

socially recognized needs in reproduction of that organization of associated labor.

#### Article 121

The fully authorized bank referred to in Article 108 of this law shall compute, increase or diminish socially recognized needs in reproduction pursuant to Articles 107 and 119 of this law on the basis of the data of the Federal Customs Administration for each organization of associated labor and on the basis of the records referred to in Article 126 of this law pertaining to invisible payments for current reproduction.

By 10 January of the current year fully authorized banks are required to file a report with the National Bank of Yugoslavia on total socially recognized needs in reproduction computed for organizations of associated labor for which they compute those needs.

Fully authorized banks are required to file data regularly with the National Bank of Yugoslavia on increases and reductions of socially recognized needs and reproduction as referred to in Article 119 of this law.

The data referred to in Paragraphs 2 and 3 of this article shall be filed with the National Bank of Yugoslavia so that it may monitor the correlation between the socially recognized needs in reproduction computed, increased or diminished with the proportions of Yugoslavia's balance of payment.

#### Article 122

Organizations of associated labor which have concluded a self-management accord on joint production, exports and imports within the Economic Chamber of Yugoslavia, in conformity with the law regulating the formation of associations within the Economic Chamber of Yugoslavia, shall in that same accord allocate import rights and the rights to make payments abroad on the basis of quotas and socially recognized needs in reproduction computed in conformity with this law on the basis of the criteria set forth in that self-management accord. The Economic Chamber of Yugoslavia shall submit those accords to authorized banks, the National Bank of Yugoslavia, and the federal administrative agency responsible for foreign trade.

The Economic Chamber of Yugoslavia is required to file with the National Bank of Yugoslavia data on the allocation made of socially recognized needs in reproduction.

The fully authorized bank shall be required to execute the orders of organizations of associated labor in keeping with the discharge of obligations assumed in the accords referred to in Paragraph 1 of this article and to monitor performance of the accords referred to in Paragraph 1 of this article.

#### Article 123

Socially recognized needs in reproduction of organizations of associated labor shall be computed for the entire year and scheduled on a quarterly basis. Socially recognized needs in reproduction of organizations of associated labor shall be met on a quarterly basis as a function of actual exports.

#### Article 124

The fully authorized bank is required to reduce or increase the socially recognized needs in reproduction of an organization of associated labor pursuant to Articles 117 through 120 of this law.

The fully authorized bank shall reduce or increase the socially recognized needs in reproduction of organizations of associated labor as referred to in Article 122, Paragraph 1, of this law in the manner envisaged by the self-management accord on joint production, exports and imports.

The Military Department of the National Bank of Yugoslavia shall compute socially recognized needs in reproduction for organizations of associated labor manufacturing special-purpose products and for the export transactions of units and institutions of the Yugoslav People's Army, all of whose international payments shall be conducted through the Military Department of the National Bank of Yugoslavia.

#### Article 125

The fully authorized bank shall be responsible for the accuracy of computation of socially recognized needs in reproduction and for executing the international payment orders of organizations of associated labor.

The National Bank of Yugoslavia may revoke an authorized bank's authority to carry on payments traffic and credit relations with foreign countries if the authorized bank does not compute socially recognized needs in reproduction in conformity with this law or if it inaccurately computes socially recognized needs in reproduction.

#### Article 126

The fully authorized bank shall keep records on exports and imports by the prescribed forms (LB, LBO, K, D) and also on all payments and collections of organizations of associated labor, which shall be used as follows:

- 1) for calculation, increase or reduction of socially recognized needs in reproduction;
- 2) to monitor fulfillment of plans for inflow and outflow within that bank;
- 3) to establish the foreign-exchange position referred to in Article 102, Paragraph 2, of this law.

4) to satisfy the conditions for borrowing abroad.

The National Bank of Yugoslavia shall prescribe the type of data and manner of keeping records in fully authorized banks in the context of Paragraph 1 of this article.

#### Article 127

The provisions of this law under which socially recognized needs in reproduction are computed, increased or diminished shall not apply to organizations of associated labor in the sectors of tourism and hostelry.

The projection of Yugoslavia's balance of payments shall state the volume of payments to import goods and to make invisible payments to meet the needs of organizations of associated labor in the sectors of tourism and hostelry.

The proportions among various commodities, the manner of importation and the allocation to organizations of associated labor in the sector of tourism and hostelry shall be set forth within the framework of an appropriate organizational form in the Economic Chamber of Yugoslavia on the basis of the criteria set forth in that organizational form.

During preparation for the tourist season payments for imports of goods and invisible payments for organizations of associated labor in the sectors of tourism and hostelry shall have priority in the context of Article 110, Paragraph 1, Subparagraph ii, of this law, and shall be made freely within the limits of the amounts stated in Paragraph 2 of this article.

#### Article 128

The projection of Yugoslavia's balance of payments shall set forth the volume of payments for consumer goods.

Appropriate forms within the Economic Chamber of Yugoslavia shall establish the composition of consumer goods and the manner in which those goods are to be imported.

In establishing the makeup of consumer goods to be imported, the point of departure shall be the need of the unified Yugoslav market for such goods, especially the needs of tourist areas in the season, its influence on the formation of prices and so on. The manner of the importation shall be established by bidding, according to the quality and price offered for the goods which are to be imported, in addition to the possibility of making provision for corresponding exports.

The Federal Executive Council may establish when certain consumer goods may be imported without bidding.



#### Article 129

Dinar payments in the context of Article 55 of this law and transfers abroad on that basis shall be charged to the right to make payments abroad which has been established for a domestic person.

#### Article 130

The Federal Executive Council may prescribe the conditions under which advantage may be taken of certain types of services which foreign persons offer to domestic persons.

#### Article 131

Organizations of associated labor which are engaged in the offering of services in international freight and passenger transportation shall freely pay their operating costs abroad.

The Federal Executive Council shall state what is meant by "operating expenses abroad."

#### Article 132

The projection of Yugoslavia's balance of payments shall fix the volume of payments to meet the needs of the Federation and to meet the needs of the republics and autonomous provinces.

The volume of payments referred to in Paragraph 1 of this article shall embrace the needs of the Yugoslav People's Army and performance of the tasks of federal agencies in the domain of national defense, physical reserves, federal bodies and agencies, exercise of the rights and discharge of the obligations of the Federation; international cooperation and exchange of information with foreign countries in keeping with the obligations of the Federation in the field of information; health, old-age and disability insurance abroad; discharge of the obligations of the Federation with regard to foreign credits concluded by the National Bank of Yugoslavia; the payments of the republics and autonomous provinces and of their bodies, agencies and organizations; as well as in other domains.

Within the limits of the volume of payments to meet the needs of the Federation the Federal Executive Council shall fix the volume of payments to meet the needs of the physical reserves of the individual bodies, agencies and organizations of the Federation and other users.

The competent authorities in the republic and the competent authorities in the autonomous province shall distribute the volume of payments to meet the needs of the republics and autonomous provinces as established by act of the SFRY Assembly referred to in Paragraph 1 of this article to meet the needs of their respective bodies, agencies and organizations.

The volume of payments in the context of Paragraph 2 of this article shall embrace the right to make payments for visibles and invisibles to meet the

needs of the Federation and the needs of the republics and autonomous provinces as set forth in the context of Paragraph 1 of this article.

#### Article 133

The volume of payments abroad to meet the needs of general business promotion and of the representative office of the Economic Chamber of Yugoslavia abroad and to meet the needs of general tourist advertising and promotion abroad shall be set forth in Yugoslavia's balance of payments.

#### Article 134

The projection of Yugoslavia's balance of payments shall state the amount of foreign exchange to pay for imports to meet the needs of the social services and to meet the needs of public organizations which have not been covered by Article 132 of this law.

The foreign exchange referred to Paragraph 1 of this article shall be allocated to the republics and autonomous provinces and other users by the Federal Executive Council on the basis of consent of the competent bodies of the republics and autonomous provinces, in conformity with federal law, and the bodies of the republics and provinces shall further allocate it to the ultimate users.

#### Article 135

Payment for imports of goods in local border traffic and overseas traffic with neighboring countries and on the basis of compensation contracts related to international fairs and other specific forms of foreign trade with foreign countries shall be made in conformity with the prescribed form of importation and import rights.

#### Article 136

Insurance communities and reinsurance communities shall collect insurance premiums or reinsurance premiums from domestic persons in dinars and from foreign persons in foreign exchange and dinars as stated in Article 53 of this law.

Insurance communities and reinsurance communities shall pay damages to domestic persons in dinars and to foreign persons in foreign exchange through authorized banks.

As an exception to the provisions of Paragraphs 1 and 2 of this article, units of organizations of associated labor doing work on capital investment projects abroad shall pay insurance and reinsurance premiums and shall collect damages in foreign exchange.

Insurance communities and reinsurance communities shall pay reinsurance premiums to foreign insurance companies and damages to foreign persons freely.

As an exception, when there is an obligation under a contract concluded between a domestic person and a foreign person, an insurance community or reinsurance community may issue an insurance policy or reinsurance policy in which the face value is denominated in a foreign currency and in which all the rights are transferrable to the foreign person, but the insurance or reinsurance premium is to be paid by the domestic person in dinars.

Organizations of associated labor and other social juridical persons who have been paid damages in dinars on the basis of obligations arising out of contracts concerning insurance, coinsurance and reinsurance of property and other property interests may make payments abroad freely up to the amount of the compensation for damage to property.

When purchases are made abroad on credit, the foreign exchange to reimburse damage on the basis of domestic insurance and reinsurance may be paid directly to the foreign person in accordance with the insurance or reinsurance contract.

The obligations of insurance, coinsurance and reinsurance shall be treated as obligations under conventions.

#### Article 137

Organizations of associated labor may collect for the services of upgrading goods for foreign persons in goods to meet their own needs in conformity with the right to pay for imports according to the various forms of importation.

The services of upgrading domestic goods which foreign persons render shall be paid for by domestic organizations of associated labor in conformity with the right to make payment for the various forms of importation.

The Federal Executive Council shall regulate the manner of payment or collection for services referred to in Paragraphs 1 and 2 of this article.

#### Article 138

Goods imported on the basis of long-term international industrial cooperation shall be paid for freely in conformity with the contract and federal law.

#### Article 139

The transfer of funds abroad on the basis of the share in net income which a foreign investor has realized in a joint venture with a domestic organization of associated labor shall be made in the manner and under the conditions contained in the contract on the investment of resources of the foreign person in the domestic organization of associated labor, consistent with the contract and federal law.

The transfer of funds invested or the remainder of funds invested shall be made freely if the investment contract terminated because the business goals had been achieved or because the life of the contract had expired or if the investment contract was dissolved on the grounds envisaged by federal law or if the investment contract provided that the foreign investor could withdraw a portion of the funds invested even during the life of that contract.

#### Article 140

Organizations of associated labor which are producers, organizations of associated labor which engage in the business of exporting and importing goods and services, and banking organizations, which consistent with federal legislation invest capital to carry on a business activity abroad, shall invest or augment their investment only within the limits of the envisaged volume of credit extended abroad in the projection of Yugoslavia's balance of payments.

#### Article 141

Organizations of associated labor which are engaged in exploration, exploitation, renewal and maintenance of reserves of ores and other mineral resources abroad shall pay the expenses of that business operation in the manner prescribed by the Federal Executive Council.

#### Article 142

Expenses of official travel abroad, advertising expenses, expenses of representative offices and delegates abroad, expenses for advanced technical training of personnel abroad, fees and import charges, membership dues and assessments, as well as other expenses related to business operation abroad or in connection with carrying on activities abroad shall be paid for by organizations of associated labor and other social juridical persons within the limits of the socially recognized needs in reproduction that have been established and under the conditions prescribed by the Federal Executive Council.

#### Article 143

If exports of goods and services and the growth of the inflow of foreign exchange exceed the volume fixed in the projection of Yugoslavia's balance of payments, the Federal Executive Council shall increase the volume of imports for the various forms of importation or shall specify freer forms of importation for certain goods.

#### Article 144

If the proportions in Yugoslavia's balance of payments are not achieved in conformity with the projection of Yugoslavia's balance of payments which has been adopted, the Federal Executive Council, in addition to the measures stated in Article 26 of this law, may also prescribe the measures of redu-



cing the import rights pertaining to various forms of importation and rights to make payment for visibles and invisibles.

When the measures referred to in Paragraph 1 of this article are in effect, the Federal Executive Council is required to reassess the policy governing the exchange rate of the dinar and other measures to stimulate exports, including exemption of organizations of associated labor whose exports are greater than imports from the restriction envisaged in Paragraph 1 of this article.

In adopting the measures stated in Paragraphs 1 and 2 of this article the Federal Executive Council shall specifically set forth measures pertaining to the importation of armament and military equipment and equipment and production supplies for the production of armament and military equipment in Yugoslavia.

#### Article 145

The comptroller of the National Bank of Yugoslavia, who shall be appointed by the governor of the National Bank of Yugoslavia, shall supervise enforcement of the provisions of Articles 24 and 110 of this law and shall perform other functions of supervision within the competence of the National Bank of Yugoslavia.

When the provisions of Articles 24 and 110 of this law are invoked, the comptroller of the National Bank of Yugoslavia shall certify international payment orders and shall stop international payments of an authorized bank which does not act in conformity with Articles 24 and 110 of this law, except for payments pertaining to foreign credits and obligations under conventions.

### XI. Foreign-Exchange Supervision

#### Article 146

Foreign-exchange supervision shall embrace supervision of the totality of foreign-exchange and foreign-trade transactions, all foreign credit relations and the totality of the conduct of business with foreign countries.

Foreign-exchange supervision shall specifically cover verification of enforcement of regulations on the following:

1) the conditions for conclusion of contracts on foreign commerce, including contracts on compensation deals, local border trade and maritime trade with neighboring countries, and contracts on brokerage in exporting and importing, the conditions for engaging in commerce, and also the conditions for issuing guarantees and other payment instruments under such contracts and the correctness of the pertinent documentation;

2) the conditions for engaging in business activities abroad or for performing work on capital investment projects abroad, or for borrowing abroad by

economic entities engaged in those activities or performing that work, and also the conditions for issuing guarantees and superguarantees covering such indebtedness;

3) the conditions for issuing guarantees, superguarantees and other forms of suretyship for establishment of foreign credit relations;

4) the lawfulness of payment in foreign exchange and dinars in foreign-exchange transactions and export-import transactions and foreign credit relations;

5) the use of foreign exchange in accordance with the laws and regulations enacted on the basis of laws concerning foreign-exchange transactions and export-import transactions, foreign credit relations, the performance of business activities abroad and the performance of work on capital investment projects abroad;

6) the accuracy of computation of socially recognized needs in reproduction by fully authorized banks and the meeting of those needs;

7) the fulfillment of the prescribed obligations of the banks through which international payments are made;

8) the keeping of foreign exchange in accounts abroad and the payment and collection through open accounts;

9) the legality of the realization of foreign exchange and disposition of it by individuals and civil juridical persons, the carrying of foreign currency, dinars and securities out of and into the country, as well as the lawfulness of gold sales;

10) enforcement of regulations on the sale of goods for foreign currency from import consignment warehouses and other permitted forms of the sale of goods for foreign currency and of regulations pertaining to the business operations of organizations of associated labor which organize games of chance;

11) the conditions for conducting transactions with foreign countries.

#### Article 147

Foreign-exchange supervision shall be performed by the Federal Foreign Exchange Inspectorate, by the National Bank of Yugoslavia and by the national banks of the republics and the national banks of the autonomous provinces.

Certain functions in foreign-exchange supervision, within the limits of its jurisdiction, shall be performed by the Social Accounting Service of Yugoslavia and by customs authorities.

The agencies authorized to perform foreign-exchange supervision, the National Bank of Yugoslavia, and the Social Accounting Service of Yugoslavia are

required to collaborate with one another in performing foreign-exchange supervision and to furnish one another data, findings and information which they possess and which are necessary to the performance of foreign exchange supervision, to inform the bodies of self-management worker control concerning their findings, and, if necessary, to offer professional assistance to those participating in foreign-exchange transactions and export-import transactions and foreign credit relations on behalf of correct application of regulations.

The officials heading agencies authorized to perform foreign-exchange supervision shall be accountable for the mutual collaboration of the agencies which they head.

#### Article 148

The National Bank of Yugoslavia, the national banks of the republics and the national banks of the autonomous provinces shall exercise supervision over the foreign-exchange transactions of fully authorized banks, limited authorizer banks, the Yugoslav Bank for International Economic Cooperation, postal savings banks and currency exchange offices, except for the functions performed by other agencies pursuant to this law.

The National Bank of Yugoslavia shall supervise application of laws and regulations by the national banks of the republics and the national banks of the autonomous provinces.

In the course of the supervision referred to in Paragraph 1 of this article the National Bank of Yugoslavia and the national banks of the republics and the national banks of the autonomous provinces may conduct an examination of the documentation of organizations of associated labor when the needs of supervision so require.

#### Article 149

The Military Department of the National Bank of Yugoslavia shall supervise the foreign-exchange transactions to meet the needs of the Yugoslav People's Army and other national defense needs conducted by the Federal Directorate for Sales and Reserves of Special-Purpose Products.

#### Article 150

The National Bank of Yugoslavia shall guarantee the uniform application of regulations and the uniform posture of foreign-exchange supervision performed by the National Bank of Yugoslavia and by the national banks of the republics and the national banks of the autonomous provinces.

The national banks of the republics and the national banks of the autonomous provinces are required to act in accordance with the instructions and guidelines for uniform application of regulations and uniform behavior in the performance of foreign-exchange supervision.

The National Bank of Yugoslavia shall prescribe the manner in which the national banks of the republics and the national banks of the autonomous provinces shall exercise supervision over the authorized banks and the manner in which the National Bank of Yugoslavia shall exercise supervision over the national banks of the republics and the national banks of the autonomous provinces.

#### Article 151

The governor of the National Bank of Yugoslavia shall be accountable for providing the foreign-exchange supervision performed by the National Bank of Yugoslavia.

The governor of the National Bank of Yugoslavia shall issue instructions and guidelines for uniform application of regulations and uniform behavior of the national banks in performance of foreign-exchange supervision.

#### Article 152

If the National Bank of Yugoslavia or a national bank of a republic or national bank of an autonomous province should in the performance of foreign-exchange supervision establish illegality or irregularity in the operation of an authorized bank, the postal savings bank or the Yugoslav Bank for International Economic Cooperation, it shall issue a decision whereby it shall take toward such banks and the postal savings bank the measures prescribed by the Law on the National Bank of Yugoslavia and the uniform monetary transactions of the national banks of the republics and the national banks of the autonomous provinces.

The decision referred to in Paragraph 1 of this article shall be final in administrative proceedings.

#### Article 153

The Federal Foreign Exchange Inspectorate shall perform supervision of foreign-exchange transactions and export-import transactions and foreign credit relations of organizations of associated labor, and all forms of performance of economic activities abroad, of sociopolitical communities and their bodies, agencies and organizations, sociopolitical and other public organizations, funds and other juridical persons and natural persons.

Authorized banks shall be required to allow the Federal Foreign-Exchange Inspectorate to examine documentation in order to exercise the supervision referred to in Paragraph 1 of this article.

#### Article 154

Inspectors and the chief foreign exchange inspector (hereinafter "the inspector") shall perform foreign-exchange supervision within the jurisdiction of the Federal Foreign Exchange Inspectorate.



The inspector shall be independent in exercising supervision and shall be required to apply laws and regulations consistently in the exercise of supervision and shall be accountable for doing so.

#### Article 155

In the procedure of rendering decisions, in ruling on appeals and in taking action in the performance of foreign-exchange supervision, the inspector and the Federal Foreign Exchange Inspectorate shall apply the provisions of the Law on General Administrative Procedure unless federal law provides otherwise.

#### Article 156

If in performing foreign-exchange supervision an inspector establishes illegality or irregularity in the conduct of foreign-exchange transactions or export-import transactions or foreign credit relations, or if he finds that the measures ordered by the competent agency have not been executed, he shall issue a decision whereby he shall order that the illegalities or irregularities ascertained be corrected or that the measures ordered be executed, stating the time by which this must be done, and he shall also take the other measures envisaged by federal law.

If the inspector does not do this, the chief foreign exchange inspector is required to do so on the basis of the findings which the former has filed.

An appeal may be filed with the Federal Secretariat for Finance against the decision referred to in Paragraph 1 of this article.

At the request of the principal in a cases the Federal Secretariat for Finance may postpone execution of the decision referred to in Paragraph 1 of this article. No appeal may be filed against a decision refusing postponement of execution of the decision referred to in Paragraph 1 of this article.

#### Article 157

If there exists warranted suspicion that a particular action contains the elements of a crime, economic violation, the inspector shall be required to file a charge with the agency competent to initiate or to conduct proceedings, or, if a misdemeanor has been committed, he shall himself render a decision or institute misdemeanor proceedings.

If the Federal Foreign Exchange Inspectorate finds in the performance of foreign-exchange supervision that in its foreign-exchange transactions or export-import transactions an organization of associated labor is not abiding by good business usages and business ethics, it shall furnish data to that effect to the Economic Chamber of Yugoslavia that proceedings may be instituted before the court of honor.

#### Article 158

If an inspector has filed a charge for a crime, economic offense or misdemeanor for which regulations envisaging the protective measure or security measure of confiscation of articles used or intended for use in committing the crime, economic violation or misdemeanor, the Federal Foreign Exchange Inspectorate may issue a decision temporarily confiscating the articles which were the subject matter of the crime, economic offense or misdemeanor, or which were so intended, or which arose from the commission of the crime, economic offense or misdemeanor. The Federal Foreign Exchange Inspectorate shall issue a receipt for the articles confiscated.

The Federal Foreign Exchange Inspectorate is required to report the confiscation of articles immediately to the agency competent to conduct proceedings.

#### Article 159

The Federal Foreign Exchange Inspectorate shall submit the decision referred to in Article 156, Paragraph 1, of this law to the authorized bank or to the Social Accounting Service of Yugoslavia for execution.

The authorized bank and the Social Accounting Service of Yugoslavia are required to execute the decision referred to in Paragraph 1 of this article without delay.

The agencies for execution referred to in Paragraphs 1 and 2 of this article are required to notify the Federal Foreign Exchange Inspectorate of the decision's execution.

The Federal Foreign Exchange Inspectorate shall deliver all enforceable decisions as referred to in Article 156, Paragraph 1, of this law to the Social Accounting Service of Yugoslavia if they tend to alter the status of resources and sources of resources of users of social resources.

#### Article 160

The accuracy and completeness of data in documents (documentary supervision) which organizations of associated labor and other social juridical persons submit to fully authorized banks shall be examined by the bank to which the documentation was submitted, which on the basis of the data in the documentation shall ascertain the existence of the right or obligation.

Documentary examination is an integral part of the fully authorized bank's obligations, and it is accountable for the performance of that examination.

The National Bank of Yugoslavia shall prescribe which documents referred to in Paragraph 1 of this article must be submitted to the fully authorized banks and within what time intervals and shall issue an instruction on the manner and procedure for the performance of the documentary examination referred in Paragraph 1 of this article.

#### Article 161

Within the limits of the financial and physical transactions of users of social resources, the Social Accounting Service of Yugoslavia shall monitor the realization of dinars on the basis of collection of claims abroad, the correctness of computation of the equivalent dinar value on the basis of collection of claims abroad within the framework of gross income and income, the legality of the disposition of dinar funds with which foreign exchange is purchased, including the correctness of collection of all refunds of customs duties and other import charges, as well as the correctness of presentation of data on those subjects in documentation, quarterly statements and year-end statements.

#### Article 162

Customs authorities shall monitor the carrying of foreign currency, dinars, securities and gold carried into or out of the country by domestic and foreign travelers.

Customs authorities shall monitor the conditions for exportation or importation of goods and services.

#### Article 163

Dinars over and above the amounts and in denominations larger than those permitted to be carried out of Yugoslavia or carried into Yugoslavia which a domestic or foreign traveler does not declare at the time of crossing the border shall be temporarily confiscated, and a receipt shall be issued.

The decision on confiscation or return - partial or complete - of dinars temporarily confiscated shall be made in proceedings for foreign exchange misdemeanors. This decision shall be made even if proceedings for a misdemeanor may not be conducted because the conditions do not obtain for a misdemeanor charge or because the perpetrator was not accessible to the agencies competent to conduct proceedings.

Undeclared dinars over and above the amounts and denominations permitted to be carried into or out of Yugoslavia and also declared dinars over and above the amounts and denominations permitted to be carried into Yugoslavia shall be deposited in a dinar special account of the Federal Foreign Exchange Inspectorate which is kept with the Social Accounting Service of Yugoslavia, until proceedings have been completed.

Declared dinars over and above the amounts and denominations which may be carried out of Yugoslavia shall be returned to a traveler upon entering the country at any border crossing. Declared dinars shall be returned by customs houses in the manner prescribed by the Federal Customs Administration.

Declared dinars above the amounts and denominations which may be carried into Yugoslavia shall be returned to a traveler at the time of departure from Yugoslavia if they have not been the subject of a foreign-exchange

misdeemeanor and if within the period of three years from the date of confiscation the traveler submits a request for the return of those dinars.

The request referred to in Paragraph 5 of this article shall be filed with the Federal Foreign Exchange Inspectorate.

#### Article 164

Foreign exchange which a domestic traveler attempts to carry out of Yugoslavia without declaration to the border customs house contrary to Article 79 of this law shall be temporarily confiscated and a receipt issued.

The decision to confiscate or return - partially or entirely - foreign exchange temporarily confiscated under the provision of Paragraph 1 of this article shall be made in proceedings for foreign exchange misdemeanors. This decision shall also be made if misdemeanor proceedings cannot be conducted because conditions do not obtain for a misdemeanor charge or because the perpetrator is not accessible to the agencies competent to conduct proceedings.

Declared and undeclared foreign currency above the amounts and denominations which may be carried out of Yugoslavia in the context of this law shall be delivered to the National Bank of Yugoslavia.

The foreign exchange declared in the context of Paragraph 3 of this article shall be returned to the traveler if it has not been the subject of a foreign-exchange misdemeanor.

#### Article 165

Domestic and foreign persons may file an appeal with the Federal Tribunal for Misdemeanors against the decision made in the proceedings referred to in Articles 163 and 164 of this law.

#### Article 166

The decision may not be made on the basis of Article 152, Paragraph 1; Article 156, Paragraph 1, of this law if three years have passed from the date when the illegality or irregularity occurred or from the date when it was established that the measures ordered by the competent authority had not been carried out. The statute of limitations shall be interrupted by every action of the competent agency directed towards the conduct of proceedings. After every interruption of the statute of limitations, it shall begin once again to run, but in no case may a decision be rendered when six years have passed from the day when the illegality established came about or when it was found that the measures ordered had not been carried out.

Decisions rendered on the basis of Article 152, Paragraph 1, and Article 156, Paragraph 1, of this law may not be executed if three years have passed from the date when the decision became final. The statute of limitations shall be interrupted by every action of the competent authority aimed at



executing the decision. After every interruption the statute of limitations shall begin again to run, but in any case it shall run out when six years have passed from the date when the decision became final.

#### Article 167

Domestic persons who are subject to foreign-exchange supervision are required to allow the agencies authorized to perform foreign-exchange supervision to examine their business operation and at the the latter's request are required to place at their disposition or file with them the necessary documentation and furnish the data sought. Juridical persons are also required to provide the conditions for the conduct of foreign-exchange supervision.

The obligations referred to in Paragraph 1 of this article shall also apply to social juridical persons carrying on business activity abroad.

### XII. Punitive Provisions

#### 1. Crimes

#### Article 168

The person responsible in an organization of associated labor or other social juridical person who on the territory of the SFRY makes a collection or payment for an organization of associated labor or other social juridical person in foreign exchange or gold or concludes a transaction in which the dinar value of the contractual obligation is computed on the basis of the price of gold or the exchange rate of the dinar against foreign currencies contrary to the provisions of federal law shall be subject to a prison sentence of not less than six months and not more than five years.

#### Article 169

The person responsible in an organization of associated labor or other social juridical person who purchases or sells foreign exchange for the organization of associated labor or other social juridical person outside the unified foreign-exchange market or does not carry out the measures prescribed by the Federal Executive Council on the basis of Articles 26 and 92 of this law shall be subject to a prison sentence of not less than six months and not more than three years.

#### Article 170

A Yugoslav national who opens a current bank account or other bank account abroad or who possesses foreign savings account passbooks or credit cards of foreign issuers or who purchases foreign securities or borrows abroad, unless otherwise provided by this law, shall be subject to a prison sentence of not less than six months and not more than three years.

## Article 171

The person responsible in an organization of associated labor or other organization or community who concludes a contract or in some other manner creates the obligation to make payment abroad without possessing or using an established right to make payment or right to borrow abroad established in conformity with federal law shall be subject to a prison sentence of not less than six months and not more than five years.

The perpetrator shall be subject to a prison sentence not to exceed ten years in an especially grave case of the crime referred to in Paragraph 1 of this article.

## 2. Economic Violations

### Article 172

An organization of associated labor, authorized bank or other social juridical person shall be subject to a fine of not less than 2,000,000 and not more than 10,000,000 dinars for an economic violation in the following cases:

- 1) if it purchases or sells foreign exchange outside the unified foreign-exchange market (Article 10);
- 2) if it pays for goods or services for which it does not have the established right to import or to pay for such imports (Article 12);
- 3) if it purchases foreign exchange or sells it, presents it as a gift, lends it or presents it for safekeeping, or if it makes payments and collection in foreign exchange or gold, or if it concludes a transaction in which the dinar value of the contractual obligation is computed on the basis of the price of gold or the exchange rate of the dinar against a foreign currency, unless federal law provides otherwise (Article 15 and Article 16, Paragraph 1);
- 4) if it does not carry out the measures prescribed by the Federal Executive Council on the basis of Article 24 of this law (Article 24);
- 5) if it collects in foreign exchange for services rendered to foreign persons in Yugoslavia and domestic persons in transportation between foreign points or tourist services rendered to foreign persons within the country (Article 57, Paragraph 1);
- 6) if it conducts the transactions of international payments, foreign credit transactions, foreign-currency transactions and exchange-office transactions in Yugoslavia contrary to the conditions for the performance of those transactions stated in Article 58, Paragraph 1, of this law;
- 7) if it holds foreign exchange in an account abroad below the minimum amount or above the maximum amount prescribed by the National Bank of Yugoslavia (Article 59, Paragraph 2);

8) if it does not sell or does not buy foreign exchange from individuals and civil juridical persons or from foreign persons at the exchange rate formed at the interbank meeting of the unified foreign-exchange market (Article 64);

9) if it pays for imports or collects for exports of newly mined gold above the limit and amount stated in the permit (D) of the competent federal administrative agency (Article 86, Paragraph 3);

10) if it melts down or processes gold in bars or melts down minted gold contrary to regulations (Article 87);

11) if it purchases minted gold from domestic or foreign persons at a price higher than the price at which that gold is sold on the world market (Article 89);

12) if it exports or carries gold abroad or engages in sales of gold within the country contrary to the restriction prescribed by the Federal Executive Council (Article 92);

13) if it does not pay an organization of associated labor or other social juridical person the equivalent dinar value for collection made in foreign exchange (Article 98);

14) if a fully authorized bank refused to accept an order to make payment abroad (Article 99, Paragraphs 1 and 2);

15) if a fully authorized bank refuses to compute a socially recognized need in reproduction and to keep the records referred to in Article 126 of this law (Article 108, Paragraph 1);

16) if it executes an order to make payment abroad of an organization of associated labor or other social juridical person when the equivalent dinar value has not been paid in (Article 109, Paragraph 1);

17) if it makes payment abroad which does not pertain to its own needs (Article 116);

18) if it does not compute or increase or reduce the socially recognized needs in reproduction of an organization of associated labor which is a member of the bank in conformity with this law (Articles 117-121 and Article 124);

19) if it does not execute an order for payment abroad of an organization of associated labor in conformity with the accord allocating socially recognized needs in reproduction or does not monitor enforcement of that accord (Article 122, Paragraph 3);

20) if it does not execute an order for payment abroad of an organization of

associated labor within the limits of the computed socially recognized needs in reproduction or executes it over and above the established amount (Article 125);

21) if it invests or increases an investment in order to perform business activity abroad above the limit on the volume of credit financing abroad envisaged in the projection of Yugoslavia's balance of payments (Article 140);

22) if it pays for certain business costs abroad over and above the established socially recognized needs in reproduction contrary to the conditions prescribed by the Federal Executive Council (Article 142).

The person responsible in an organization of associated labor, authorized bank or other social juridical person shall also be subject to a fine of not less than 50,000 and not more than 500,000 dinars for an economic violation for an act as described in Paragraph 1 of this article.

The person responsible in the agency of a sociopolitical community or other government agency shall also be subject to a fine of not less than 50,000 and not more than 500,000 dinars for an economic violation for an action as described in Paragraph 1 of this article.

#### Article 173

An organization of associated labor, authorized bank or other social juridical person shall be subject to a fine of not less than 1,000,000 and not more than 10,000,000 dinars for an economic violation in the following cases:

1) if it purchases or sells foreign currencies which the National Bank of Yugoslavia has not designated as currencies which may be purchased and sold on the unified foreign-exchange market (Article 30, Paragraph 1);

2) if it purchases or sells foreign exchange on a foreign foreign-exchange market contrary to the conditions defined by the National Bank of Yugoslavia (Article 33);

3) if in computing the equivalent dinar value of a payment made in foreign exchange for the purpose of payment of dinars to organizations of associated labor or other social juridical persons or for the purpose of payment in foreign exchange it does not apply the buying rate of exchange in effect on the date of the computation or the selling rate in effect on the day of payment of the equivalent dinar value for the purpose of execution of an obligation to make payment abroad (Article 34, Paragraphs 3, 4, and 5);

4) if in determining the base for computation of customs duties and other import charges or for other purposes as stated in Article 35 of this law it does not apply the prescribed exchange rates of foreign currencies (Article 35);



5) if it does not conduct international payments in the manner prescribed by the National Bank of Yugoslavia or conducts them contrary to the conditions prescribed by the Federal Executive Council or by the National Bank of Yugoslavia (Article 36, Paragraph 5; Article 37; Article 38, Paragraph 1; and Articles 39 and 53);

6) if it does not conduct international payments through a fully authorized bank or through the clearing account of the National Bank of Yugoslavia for payments traffic with countries with which a treaty on the clearing method of payment has been concluded (Article 40);

7) if it does not collect for goods exported or services rendered to foreign persons or receivables on other bases within sixty days from the date when the goods were exported or the service rendered or from the date when the receivable became due, unless this law or regulation enacted on the basis of it provides otherwise (Article 42, Paragraphs 1, 2 and 8);

8) if it does not pay the equivalent dinar value for a collection made in foreign exchange from abroad after expiration of the period of time stated in Article 42 at the exchange rate which was in effect on the last day of the legal period for collection (Article 43);

9) if it does not import a commodity paid for abroad or does not have a service paid for abroad performed no later than sixty days from the date when the fully authorized bank executed the payment order (Article 46, Paragraph 2);

10) if it holds foreign exchange in accounts abroad contrary to the conditions defined by the National Bank of Yugoslavia or if it does not file with the National Bank of Yugoslavia a report in the prescribed manner or within the prescribed period concerning transactions and the status of resources in those accounts (Article 48 and Article 50, Paragraph 2);

11) if it makes payment or collection on the basis of imports and exports of goods and services in local border trade and maritime trade with neighboring countries and compensation deals related to international fairs contrary to the conditions envisaged by the enactment of the Federal Executive Council (Article 52);

12) if it accepts dinars or foreign exchange of foreign persons in deposit contrary to the conditions defined by the National Bank of Yugoslavia (Article 54);

13) if it converts foreign currency in a foreign-exchange account for payment abroad contrary to the restriction ordered by the National Bank of Yugoslavia (Article 60);

14) if it acts contrary to the conditions defined by the National Bank of Yugoslavia for placing resources in sight deposits or time deposits in accounts abroad (Article 61);

15) if it has a foreign-exchange account in a foreign bank which has not been designated by the National Bank of Yugoslavia and if it does not file with the National Bank of Yugoslavia reports on the transactions and balance of those accounts within the intervals and in the manner prescribed by the National Bank of Yugoslavia (Article 62);

16) if it does not adopt annual, semiannual, quarterly and monthly plans of the inflow and outflow of foreign exchange and does not file them with the National Bank of Yugoslavia within the interval and according to the methodology prescribed by the National Bank of Yugoslavia (Article 63);

17) if within the period of two working days from the date when collection was made from abroad or when that collection was credited to the account of the authorized bank referred to in Article 108 of this law it does not pay the equivalent dinar value to the organization of associated labor or other social juridical person whose commodity or service was exported (Article 98, Paragraph 3);

18) if it credits foreign exchange to a foreign-exchange account of an organization of associated labor as referred to in Article 100, Paragraph 1, of this law, when it has not concluded a contract with the organization of associated labor which is making collection on those bases (Article 100, Paragraph 5);

19) if use the services offered by foreign persons to domestic persons contrary to the conditions prescribed by the Federal Executive Council (Article 130);

20) if it pays business expenses abroad which do not come under those expenses according to the regulation of the Federal Executive Council (Article 131);

21) if it collects insurance premiums or reinsurance premiums or pays indemnities contrary to the provisions of Article 121 of this law (Article 136);

22) if it does not collect or pay for the upgrading of goods of foreign persons or the services of upgrading domestic persons performed by foreign persons in the manner prescribed by the Federal Executive Council (Article 137, Paragraph 3);

23) if it does not pay for the cost of exploration, exploitation, renewal and maintenance of reserves of ores and other mineral resources abroad in the manner prescribed by the Federal Executive Council (Article 141);

24) if an authorized bank makes payment abroad even though the comptroller of the National Bank of Yugoslavia has stopped payment abroad (Article 145, Paragraph 2).

The person responsible in the organization of associated labor, authorized bank or other social juridical person shall also be subject to a fine of not

less than 25,000 and not more than 250,000 dinars for an economic violation for an act as described in Paragraph 1 of this article.

The person responsible in the agency of a sociopolitical community or other government agency shall also be subject to a fine of not less than 25,000 and not more than 250,000 dinars for an economic violation for an act as described in Paragraph 1 of this article.

#### Article 174

The protective measure of confiscation of articles used or intended for commission of the economic violation or which came about through commission of the economic violation shall be pronounced against an organization of associated labor, authorized bank or other social juridical person. The court shall pronounce the measure of confiscation of property gain acquired by committing the economic violations enumerated in Articles 172 and 173 of this law.

### 3. Misdemeanors

#### Article 175

An organization of associated labor, authorized bank or other social juridical person shall be subject to a fine of not less than 10,000 and not more than 1,000,000 dinars for a misdemeanor in the following cases:

1) if it does not keep records concerning each foreign trade transaction and foreign credit transaction concluded, concerning the conduct of those transactions, and also concerning payments and collections related to those transactions, or if it keeps such records contrary to regulations (Article 47);

2) if after termination of a contract concerning payment and collection for services through an open account it does not settle the amount due or amount payable in the account within a period of thirty days from the date of termination of the contract (Article 49, Paragraph 3);

3) if it does not hold dinar claims which foreign persons have realized on other bases than the bases enumerated in Article 55, Paragraph 1, or this law in accounts with an authorized bank or if it uses them for certain payments in Yugoslavia or transfers them to other foreign persons or transfers them abroad contrary to the conditions prescribed by the Federal Executive Council (Article 50);

4) if it does not substantiate differences in value occurring in foreign business operations in the prescribed manner (Article 51, Paragraph 2);

5) if it does not pay interest in foreign exchange or dinars according to the provision of Article 75, Paragraphs 1 and 2, of this law (Article 75, Paragraphs 1 and 2);

6) if it computes interest in foreign exchange on the savings deposits of Yugoslav citizens who do not have the right to collect interest in foreign exchange or does not compute that interest on the basis of the prescribed documentation (Article 75, Paragraph 3);

7) if it sells foreign exchange to citizens or civil juridical persons for purposes which have not been envisaged by the enactment of the Federal Executive Council or it sells them over and above the amounts or contrary to the conditions envisaged by that enactment (Article 77);

8) if it exports or carries gold out of the country in newly mined or minted form without permission of the National Bank of Yugoslavia (Article 85, Paragraph 2);

9) if it does not keep records on quantities of gold produced or sold or on quantities of gold purchased and processed or does not keep them in the prescribed manner (Article 90);

10) if it does not keep records according to the types of data and in the manner prescribed by the National Bank of Yugoslavia (Article 126);

11) if under a decision of an inspector or chief foreign exchange inspector it does not correct illegalities or irregularities which have been discovered in the stated period or does not carry out the measures ordered in conduct of foreign trade or foreign exchange transactions or foreign credit transactions (Article 156, Paragraphs 1 and 2);

12) if it does not carry out the decision of the Federal Foreign Exchange Inspectorate (Article 159, Paragraph 2);

13) if it does not make it possible for officers and agencies authorized to conduct foreign exchange supervision to examine business operation or refuses their request to make available or to deliver the necessary documentation or furnish the data requested (Article 167, Paragraph 1);

14) if it entrusts the handling of foreign exchange and foreign credit transactions to a person convicted of the crimes enumerated in Articles 168, 169, 170 and 171 of this law or a person convicted of an economic violation as enumerated in Article 172 of this law and fined more than 50,000 dinars, so long as the ban on performance of those functions lasts.

The person responsible in the organization of associated labor, authorized bank or other social juridical person shall also be subject to a fine of not less than 10,000 and not more than 200,000 dinars for a misdemeanor for an action as described in Paragraph 1 of this article.

The person responsible in the agency of a sociopolitical community or other government agency shall also be subject to a fine of not less than 10,000 and not more than 200,000 dinars for a misdemeanor for an action as described in Paragraph 1 of this article.



#### Article 176

An individual who is self employed shall be subject to a fine of not less than 100,000 and not more than one million dinars for actions as enumerated in Articles 172, 173 and 175 of this law related to transactions which a self-employed person may engage in.

#### Article 177

An individual or civil juridical person shall be subject to a fine of not less than 50,000 and not more than 200,000 dinars for a misdemeanor in the following cases:

1) if without due authorization he purchases foreign exchange, sells it, presents it as a gift, lends it or presents it for safekeeping or if he makes payment or collection in foreign exchange or gold or concludes a transaction on the basis of which the dinar value of the contractual obligation is computed on the basis of the price of gold or the exchange rate of the dinar against a foreign currency (Article 15 and Article 16, Paragraph 1);

2) if after returning from abroad he does not bring into the country foreign exchange which he possesses within a period of sixty days from the date of return to the country (Article 42, Paragraph 10);

3) if he does not use foreign exchange in a foreign-exchange account or foreign-exchange savings deposit in conformity with the provisions of this law (Article 71, Paragraph 2);

4) if contrary to the regulations of the National Bank of Yugoslavia he attempts to carry or does carry dinars out of Yugoslavia or attempts to carry or does carry dinars into Yugoslavia in international passenger transportation over and above the allowed amounts and denominations, or attempts to send or does send out of Yugoslavia through the mails or other shipments dinars or instruments denominated in dinars, effective foreign money or instruments denominated in a foreign currency, or attempts to bring into Yugoslavia or does bring into Yugoslavia dinars or instruments denominated in dinars through the mails or other shipments (Article 79);

5) if he attempts to carry or does carry foreign exchange abroad without evidence that it has been withdrawn from a foreign-exchange account or foreign-exchange savings deposit or has been purchased from an authorized bank (Article 80, Paragraph 3);

6) if in leaving Yugoslavia he attempts to carry or does carry foreign exchange or dinars out of the country contrary to this law or regulation enacted on the basis of this law (Article 80, Paragraphs 4 and 5);

7) if he attempts to carry or does carry or send from Yugoslavia negotiable domestic savings account passbooks denominated in dinars without the prescribed permit (Article 81, Paragraph 4);

8) if he attempts to carry or does carry or send from Yugoslavia foreign securities contrary to the prescribed permits (Article 82, Paragraph 2);

9) if he handles checks drawn in Yugoslavia on foreign persons or checks for dinars drawn in Yugoslavia contrary to the provisions of Article 84 of this law (Article 84);

10) if he attempts to export or does export or attempts to carry or does carry gold [out of the country] in newly mined or minted form without permission of the National Bank of Yugoslavia (Article 85, Paragraph 2);

11) if he smelts or processes gold in bars or smelts minted gold contrary to the provisions of Article 87 of this law (Article 87);

12) if he does not keep the prescribed records on quantities of gold produced and sold or on quantities of gold purchased and processed (Article 90).

#### Article 178

In addition to the fine, the protective measure of confiscation of articles used or intended for commission of the misdemeanor or which came about through commission of the misdemeanor shall also be pronounced for the misdemeanors enumerated in Articles 175 through 177.

The articles referred to in Paragraph 1 of this article may be confiscated even if they are not the property of the perpetrator of the misdemeanor or if they are not in the possession of the juridical person which committed the misdemeanor.

As an exception to the provision of Paragraph 1 of this article, articles used or intended for use in committing the misdemeanor or which came about through commission of the misdemeanor may be confiscated in part if the motives or other circumstances under which the misdemeanor was committed indicate that it is not warranted to confiscate the article in its entirety.

The protective measure of confiscation of vehicle or container shall be pronounced for the misdemeanor enumerated in Article 176 and Article 177, Paragraph 1, Subparagraphs 4, 5, 6, 7, 8 and 10, of this law if its secret or hidden places were used to conceal the article involved in the misdemeanor and if the value of the article involved in the misdemeanor is greater than one third of the value of the vehicle or container used as the basis for computing customs duty.

The vehicle or container used in rendering transport services by a public carrier may be confiscated in the context of Paragraph 4 of this article even though it is not the property of the perpetrator of the misdemeanor if its owner knew or could have known that it was used to commit the misdemeanor referred to in Article 175, Paragraph 1, Subparagraph 13, and Article 177, Paragraph 1, Subparagraphs 5, 7 and 10, of this law.

The measure of confiscation of property gain realized by committing the misdemeanor shall be pronounced for the misdemeanors enumerated in Articles 175 through 177 of this law.

#### Article 179

Misdemeanor proceedings for misdemeanors envisaged by this law shall be conducted and the verdict rendered on the misdemeanor in the first instance by the Federal Foreign Exchange Inspectorate.

An appeal may be filed against the decision of the Federal Foreign Exchange Inspectorate with the Federal Tribunal for Misdemeanors.

#### Article 180

If misdemeanor proceedings have been instituted on the basis of the charge of a customs authority drawn up on the basis of that authority's direct observation, and if the fine prescribed for the misdemeanor of an individual is less than 10,000 dinars and for a juridical person and self-employed individual less than 100,000 dinars, the decision concerning the misdemeanor may be rendered without summoning and examining the accused.

Within a period of eight days from delivery of the decision the accused may file an objection to the decision rendered on the basis of Paragraph 1 of this article with the Federal Foreign Exchange Inspectorate.

If the accused files an objection within the period prescribed, the Federal Foreign Exchange Inspectorate shall vacate the decision rendered and resume regular proceedings. The decision on the misdemeanor rendered in regular proceedings may not be less favorable for the accused than the decision which was vacated by his objection.

#### Article 181

Proceedings concerning misdemeanors under this law may not be instituted when three years have passed from the date when the misdemeanor was committed. The statute of limitations shall be interrupted by every action of the competent authority undertaken to pursue the perpetrator of the misdemeanor. The statute of limitations shall begin to run once again after each interruption, but regardless of the interruptions the statute of limitation shall in any case expire when six years have passed from the date when the misdemeanor was committed.

The penalty and protective measure pronounced for a misdemeanor may not be executed if a year has passed from the date when the decision on the misdemeanor became final. The statute of limitations for executing a penalty or protective measure shall not run during the time when execution may not be undertaken under federal law. The statute of limitations shall be interrupted by every act of the competent authority undertaken in order to exe-

cute the penalty or protective measure. At each interruption the statute of limitations shall begin to run once again, but regardless of the interruptions the statute of limitations shall in any case expire when two years have passed from the date when the decision concerning the misdemeanor became final.

#### Article 182

The Federal Foreign Exchange Inspectorate, which renders a decision on a misdemeanor in the first instance, may decide that the fine pronounced for a misdemeanor under this law be paid in installments, but the period for payment of the entire amount may not be longer than one year.

#### 4. Legal Consequences of Conviction

#### Article 183

In organizations of associated labor, authorized banks or other social juridical persons engaged in foreign exchange transactions with foreign countries those transactions may not be handled by a person who has committed a premeditated crime against the foundations of the social system of socialist self-management and the security of the Socialist Federal Republic of Yugoslavia, against the armed forces of the Socialist Federal Republic of Yugoslavia, against humanity or international law, against the reputation of a foreign state or international organization, against self-management, against the economy and the unity of the Yugoslav market, or a crime envisaged by this law for which a verdict carrying a prison sentence became final.

The prohibition referred to in Paragraph 1 of this article against a person who has committed a premeditated crime against the economy, against other social values or has been guilty of misfeasance shall ensue automatically if he has been sentenced to imprisonment for at least six months for such a crime.

The prohibition referred to in Paragraph 1 of this article shall automatically ensue against a person who has committed a premeditated crime other than the crimes enumerated in Paragraphs 1 and 2 of this article if the conviction for that crime carrying a prison sentence of at least three years has become final.

The prohibition against a person referred to in Paragraphs 1 and 2 of this article shall last for ten years, and against the persons referred to in Paragraph 3 of this article five years from the date when the sentence was served, was pardoned or lapsed through operation of the statute of limitations.

#### Article 184

An organization of associated labor, authorized bank or other social juridical person may not hire nor keep in jobs and tasks related to conduct of



foreign exchange transactions with foreign countries any person convicted of an economic violation on the basis of this law and against whom a fine has been pronounced in an amount greater than 100,000 dinars.

The prohibition referred to in Paragraph 1 of this article shall last three years from the date when the verdict became final.

#### Article 185

Foreign exchange confiscated as the article involved in a crime or economic violation or misdemeanor shall be deposited so long as proceedings for the crime, economic violation or misdemeanor last, in a temporary account of the Federal Foreign Exchange Inspectorate which is kept in the National Bank of Yugoslavia.

#### Article 186

Fines, property gain and instruments of payment and the equivalent dinar value realized by selling the articles which have been used or intended for commission of a crime, economic violation or misdemeanor or which came about through commission of a crime, economic violation or misdemeanor shall be paid into the federal budget.

Foreign exchange confiscated as an article involved in the commission of a crime, economic violation or misdemeanor shall be sold to the National Bank of Yugoslavia, which shall pay the equivalent dinar value of the foreign exchange sold into the federal budget.

### XIII. Transitional and Final Provisions

#### Article 187

The foreign exchange of organizations of associated labor and other social juridical persons, except for those who under the provisions of this law may have foreign-exchange accounts, in accounts with authorized banks as of 31 December 1985 shall be converted to dinars at the exchange rate in effect on 31 December 1985.

#### Article 188

Foreign trade transactions concluded in 1985 and past years, but not completed before 31 December 1985 shall be subject to the obligation of renewed proceedings for establishment of import rights and rights to make payment and to the obligation of renewing the notification of an import transaction with respect to that portion which has not been completed.

For the purpose of Paragraph 1 of this article "foreign trade transactions concluded, but not completed" means transactions pertaining to which all imports have not been completed up to and including 31 December 1985 or on which total payment has not been made or on which total imports and total payments have not been made.

#### Article 189

Unmet obligations to the Community of Yugoslav Railroads on the basis of the Decree on the Conditions Under Which Social Juridical Persons May Use the Service and Pay for Transportation Services Rendered Them by Foreign Railroads in International Rail Traffic (SLUZBENI LIST SFRJ, No. 35, 1982; No. 56, 1983; No. 71, 1983; No. 28, 1984; and No. 68, 1984), which came about before 31 December 1985, shall be discharged by social juridical persons by depositing the equivalent dinar value in the account of the railroad transportation organization of associated labor at the rate of exchange on the date when the obligation is discharged.

The obligations to transfer foreign exchange under the Decision on Conditions and Manner of Transfer of Foreign Exchange to International Freight Carriers in 1985 (SLUZBENI LIST SFRJ, No. 15, 1985) which have not been discharged by the date when this law takes effect shall be discharged by the user of the service to the carrier by payment in dinars of the difference between the bill paid in dinars and the value of the foreign exchange not transferred, at the rate of exchange in effect on the date when the obligation is discharged.

#### Article 190

On the day when this law takes effect the Yugoslav Community of Interest for Foreign Economic Relations shall terminate its operation.

The resources, equipment, archives, documentation and other property of the Yugoslav Community of Interest for Foreign Economic Relations shall be taken over by the Federal Secretariat for Foreign Trade and the Federal Secretariat for Finance - by agreement, and the latter shall also issue the year-end statement of that community for 1985 and the year-end statement of the Fund for the Promotion of Foreign Economic Relations for that year.

The year-end statement of the fund referred to in Paragraph 2 of this article shall be confirmed by the SFRY Assembly.

Personnel in the Yugoslav Community of Interest for Foreign Economic Relations shall possess the rights and duties of personnel in a federal administrative agency terminating its operation as set forth in the Law on the Bases of the System of Government Administration and on the Federal Executive Council and Federal Administrative Agencies.

#### Article 191

Socially recognized needs in reproduction shall be calculated for 1986 according to data of the Federal Customs Administration on the value of imports of raw materials and production supplies classified as provisionally free imports (LBO) in 1984 and according to the data of authorized banks as to the invisible outflow pursuant to the provisions of Article 117 of this law.

Organizations of associated labor whose socially recognized needs in reproduction cannot be calculated in the context of Paragraph 1 of this article because they imported on the basis of a self-management accord may file application by 1 February 1986 to a fully authorized bank along with the evidence that in 1984 certain goods were imported under the provisionally free import regime on their account, provided the socially recognized needs in reproduction of the organizations of associated labor through which the imports were made are reduced by that amount.

The socially recognized needs in reproduction of organizations of associated labor which began production during 1984 or in 1985 shall be established by the Economic Chamber of Yugoslavia.

Socially recognized needs in reproduction for the first quarter of 1986 shall be computed at the level of 1/4 of 1984 imports of raw materials and production supplies classified as provisionally free imports (LBO).

#### Article 192

Out of an inflow realized on the basis of exports for which a commodity credit was used pursuant to the provisions of the Law on Taking Certain Commodity Credits in 1983, 1984 and 1985 the authorized bank shall withhold the amount of foreign exchange necessary to meet obligations pertaining to the credit used and within the period of two working days shall transfer it to the bank which is the coordinator for the commodity credit or, by order of the bank which is the coordinator, to the National Bank of Yugoslavia.

The authorized bank shall credit the equivalent dinar value of the inflow of foreign exchange over and above the obligations related to the credit to the giro account of organizations of associated labor in the manner and within the intervals set forth in this law.

If an authorized bank does not fulfill obligations to the bank which is the coordinator under the Law on Taking Certain Commodity Credits Abroad, the National Bank of Yugoslavia shall block the giro account of that bank until the obligation is discharged.

#### Article 193

The Federal Executive Council shall prescribe the conditions and manner of repayment of credit used by authorized banks on the basis of foreign exchange of individuals deposited with the National Bank of Yugoslavia before 31 December 1985 and repayment of the foreign exchange of individuals from deposits with the National Bank of Yugoslavia up to 31 December 1985 on the recommendation of the National Bank of Yugoslavia.

#### Article 194

Through authorized controllers the National Bank of Yugoslavia shall implement execution of the decisions of the Federal Foreign Exchange Inspectorate

rendered up through 31 December 1985 if they are to be carried out by an authorized bank by temporarily restricting the payments abroad of the authorized bank.

#### Article 195

The national banks of the republics and the national banks of the autonomous provinces shall examine documentation in the context of Article 160 of this law up until 31 December 1986.

#### Article 196

Mutual foreign-exchange claims regulated by the Law on Temporary Measures to Settle Certain Foreign Exchange Claims which have not been settled by 31 December 1985 shall be settled in conformity with this law.

#### Article 197

Temporary sales or temporary loans made before 31 December 1985 on the basis of the Law on Foreign Exchange Transactions and Foreign Credit Relations and the Law on Payments in Convertible Currencies, which have not been regulated by the Law on Temporary Measures to Settle Certain Foreign Exchange Claims, shall be considered final sales unless the beneficiary of the temporary sale or temporary loan has deposited the equivalent dinar value.

Beneficiaries of the temporary loan or temporary sale as referred to in Paragraph 1 of this article who have not deposited the equivalent dinar value are required to deposit the equivalent dinar value by 31 January 1986 at the rate of exchange in effect on the date when the equivalent dinar value is deposited.

#### Article 198

The foreign-exchange claims of organizations of associated labor and other social juridical persons in accounts with an authorized bank, aside from foreign exchange claims of organizations of associated labor in the currencies referred to in Article 100 of this law, shall be converted to dinar claims at the buying rate of exchange in effect as of 31 December 1985.

Foreign exchange claims of authorized banks against organizations of associated labor shall be considered settled if the equivalent dinar value has been deposited, but for those claims on which the equivalent dinar value has not been deposited organizations of associated labor must deposit the equivalent dinar value before 31 January 1986 at the rate of exchange in effect on the date of deposit of the equivalent dinar value.

#### Article 199

Mutual foreign exchange claims between authorized banks and between authorized banks and the National Bank of Yugoslavia on the basis of current foreign exchange transactions with foreign countries as of 31 December 1985



shall be converted to dinar claims at the average rate of exchange in effect on 31 December 1985.

#### Article 200

Organizations of associated labor and other social juridical persons who in the context of the provisions of Article 51, Paragraph 2, of the Law on Foreign Exchange Transactions and Foreign Credit Relations have used the foreign exchange resources of individuals shall discharge obligations in dinars at the rate of exchange in effect on the date when the obligation came due.

#### Article 201

On the day when application of this law commences the Law on Foreign Exchange Transactions and Foreign Credit Relations (SLUZHBI LIST SFRJ, No. 15, 1977; No. 61, 1982; No. 77, 1982; No. 34, 1983; No. 70, 1983; and No. 71, 1984) and the Law on Payment in Convertible Currencies (SLUZHBI LIST SFRJ, No. 34, 1983 and No. 70, 1983), and the provisions of other federal laws contrary to this law shall cease to be valid.

#### Article 202

This law shall take effect on the eighth day after publication in SLUZHBI LIST SFRJ, but it shall be applied as of 1 January 1986.

7045

CSO: 2800/109

**LAW ON BANKING, CREDIT SYSTEM**

Belgrade SLUZBENI LIST SFRJ in Serbo-Croatian No 70, 20 Dec 85 pp 1937-1960

[Law enacted by the SFRY Assembly in a session of the Federal Chamber in Belgrade 18 December 1985 and signed by Radovan Vlačković, chairman of the SFRY State Presidency, and Ilijaz Kurteshi, president of the SFRY Assembly: "Law on the Bases of the Banking and Credit System"]

**I. BASIC PROVISIONS****Article 1**

The types of banks and other financial organizations, the general conditions for the pooling and investment of resources of social juridical persons in them, the right of management, the obligations of maintaining liquidity and bearing risk in banks and other financial organizations, planning and business policy, the use and distribution of revenues and the formation and use of funds in banks and other financial organizations, the general conditions for the conduct of credit transactions and the conduct of business with money deposits and securities, as well as the rights and obligations of participants in the credit system shall be regulated by this law.

**Article 2**

The principle of free pooling and movement of resources for social reproduction and other money resources over the entire territory of the Socialist Federal Republic of Yugoslavia on behalf of advancement and strengthening of the material base of organizations of associated labor and other self-managing organizations and communities shall constitute the basis of the banking system.

The principle of pooling of labor and resources in order to channel resources into pursuit of the common interests of organizations of associated labor and other self-managing organizations and communities shall constitute the basis of the credit system.

### Article 3

Obstruction of the free movement of money resources within the banking system shall be deemed a disruption of the unified Yugoslav market.

Nonperformance of obligations on the basis of a credit relation shall be deemed an unlawful use of the property of another and obstruction of the exercise of self-management rights in the disposition of socially owned resources.

### Article 4

Individuals shall have the rights in the banking system set forth in the self-management accord on establishment of the bank or other financial organization on the basis of savings deposits, in accordance with law.

### Article 5

The provisions of the Law on Associated Labor shall be suitably applied to banks and other financial organizations unless this law provides otherwise.

## II. THE BASES OF THE BANKING SYSTEM

### 1. Establishment, Principles of Business Operation and Types of Banks and Other Financial organizations

### Article 6

Banks shall be established to conduct banking and credit transactions.

Organizations of associated labor and other juridical persons shall pool resources in banks in order to augment the capital formation of associated labor, to advance and expand the material base of associated labor and for other social purposes, to invest money resources so that capital can be furnished to carry on the process of social reproduction and for inclusion of organizations of associated labor in international trade, as well as for more rapid circulation of money resources on the unified Yugoslav market.

### Article 7

Basic and other organizations of associated labor and other social juridical persons, but not including sociopolitical communities, may establish a bank or other financial organization in a self-management accord.

The justifiability of establishing a basic bank or associated bank shall be established in an economic-and-financial study of the socioeconomic feasibility of establishing the basic bank or associated bank.

The National Bank of Yugoslavia shall evaluate the feasibility of establishing a basic bank or associated bank and shall give its opinion on the matter.

The decision to accept the study referred to in Paragraph 2 of this article may not be made without the prior opinion of the National Bank of Yugoslavia.

#### Article 8

A self-management accord on establishment of a bank shall specifically contain the following:

- 1) the common goals for which the bank is being established;
- 2) the bank's activities;
- 3) the bank's name and domicile;
- 4) the type and extent of liability for obligations and risk of the bank and the manner of bearing risks concerning the bank's business operation within the country and towards foreign countries on the part of its founders, as well as the manner in which the bank's law shall be covered;
- 5) measures and responsibility for insuring the liquidity of the bank and its founders;
- 6) the conditions and manner of pooling resources or the investment of resources and the business handling of money resources in the banks;
- 7) procedure for enactment of the bank's medium-term and annual plan and measures to fulfill them;
- 8) provisions concerning formation and use of the resources of the bank's funds;
- 9) the management procedure and provisions concerning the bank's governing bodies and other bodies of the bank and their responsibility for the bank's business;
- 10) procedure for reconciling the views of the bank's founders;
- 11) procedure for adoption of bylaws and other general self-management acts of the bank;
- 12) manner of representing the bank and acting as its agent;
- 13) procedure for informing the founders of the bank concerning its business activity and the content of such reports;
- 14) conditions for acquiring and termination of the rights of the founders in the bank and conditions for withdrawing from the bank;
- 15) the manner of formation, use and distribution of the bank's revenues;



- 16) provisions concerning business secrecy;
- 17) the manner of exercising workers' self-management control;
- 18) the manner of achieving nationwide defense and social self-protection;
- 19) decisionmaking procedure concerning status changes in the bank;
- 20) procedure for adoption of amendments and supplements to the self-management accord;
- 21) conditions for termination of the bank's operation and procedure for adoption of the decision to that effect;
- 22) basic provisions on the bank's internal organization;
- 23) provisions on the position of the personnel in the bank's work community as well as the rights, obligations and responsibilities in management of the work community.

The self-management accord on establishment of the bank may also contain other provisions of interest to the bank's founders, depending on the type of bank.

#### Article 9

A bank may engage in payment transactions with foreign countries, foreign credit transactions and foreign exchange and currency and exchange-office transactions in the Socialist Federal Republic of Yugoslavia pursuant to federal law.

Pursuant to federal law, a bank may engage in international payment transactions and foreign credit transactions if it meets the conditions for performing those transactions and if the self-management accord on establishment of the bank has set forth the procedure, and the resources have been furnished to discharge the obligation and take the risks in conducting business with foreign countries.

The conditions for obtaining the authorization referred to Paragraph 2 of this article are as follows:

- 1) the volume of international payments (payments and collections for imports and exports -- visible and invisible, the value of international financial transactions, etc);
- 2) projection of export plans as a precondition for steady growth of the inflow of foreign exchange;
- 3) the number of the bank's founders who are important to achieving the country's goals as the balance of payments;
- 4) the level of the bank's primary credit potential which ensures that it will keep up successfully with the flow of international payments;

5) the bank's technical adequacy for reliable and timely information in the field of foreign economic relations;

6) the number of personnel equipped to handle this type of work effectively.

The National Bank of Yugoslavia, pursuant to federal law and on the basis of criteria which it shall prescribe, shall evaluate on the basis of a bank's specific filed application whether or not the conditions stated in Paragraph 3 of this article have been met and shall issue the authorization to conduct international payments and foreign credit transactions or the authorization to conduct international payments.

The National Bank of Yugoslavia, pursuant to federal law, may revoke the authorization granted a bank if it finds that the bank does not satisfy one or more of the conditions prescribed or if the volume of one or more conditions has dropped off considerably, so that it cannot successfully handle the business required by the authorization.

The manner of revoking the authorization and the procedure for informing the competent and interested authorities shall be set forth by the National Bank of Yugoslavia.

#### Article 10

The founders of a bank and other social juridical persons who have invested resources in a bank shall be responsible for its liquidity.

#### Article 11

The bank shall conduct its activity on the basis of the self-management accord on establishment of the bank and the bank's plans, in conformity with measures to achieve the goals of the country's long-range development and the tasks of money, credit and foreign-exchange policy.

In the performance of its activity, the bank shall conduct business on the principles of liquidity, sound lending and profitability, of achieving a growth of income and a rise in the rate of accumulation per unit of resources invested and shall be mindful of the efficiency of use of social resources and their more rapid circulation on the unified Yugoslav market.

#### Article 12

The bank shall adopt its own medium-term and annual plans.

The bank's plan shall be based on the principles stated in Article 11, Paragraph 2, of this law and on the following:

i. the goals and policy of the country's economic and long-range development;

ii. common tasks in achieving the goals of joint development policy, economic policy, monetary policy, foreign-exchange policy, and credit policy on the unified Yugoslav market;

iii. the jointly assessed possibilities and conditions for development and the common interests of the bank's founders as established in the proceedings of preparing and enacting the plan;

iv. the joint development programs adopted by organizations of associated labor and other social juridical persons who are the bank's founders and other social juridical persons important to the country's harmonious economic development;

v. other elements of importance to improving the material base of associated labor and effective use of social resources.

The bank's plan shall be adopted by the bank's in the manner set forth in the bank's bylaws, in conformity with law.

#### Article 13

The bank shall conduct activity over the entire territory of the Socialist Federal Republic of Yugoslavia.

The area of a bank's activity may not be restricted by the acts of a sociopolitical community.

Acts of a sociopolitical community to restrict the area of a bank's activity shall be null and void.

#### Article 14

A bank shall be required to accept every application for credit or for some other type of banking service or banking transaction, and, in keeping with its business policy founded on the principles stated in Article 11, Paragraph 2, and Article 90 of this law, to take it under consideration consistent with the criteria contained in Articles 9 and 89 of this law, and to report its decision to the applicant, whether or not the applicant is a founder of the bank.

#### Article 15

The bank is required to verify the optimum use of resources for the purpose stated by the user of the credit, to take steps in keeping with regulations and the bank's business policy, and to inform the bank's assembly at least once a year concerning the results of the use and optimum employment of credit by users.

#### Article 16

In the interest of its founders and in accordance with the needs of efficient management and decisionmaking concerning the use of resources on the unified Yugoslav market, the bank shall be required to establish an information system and develop it in collaboration with other banks and interested entities.

The overall criteria, the uniform standards and the uniform methodology for the design, development and functioning of the information system of the banks shall be set forth in a self-management accord of banks in the framework of the association of banks for the entire territory of the Socialist Federal Republic of Yugoslavia.

#### Article 17

The revenue which a bank realizes in the conduct of its business, after operating costs have been met and money set aside for the work community of the bank, shall be distributed as joint income by the bank's founders and the social juridical persons who have invested resources in the bank among themselves according to the contribution which they have made to realizing that income.

The bases and scales for establishing contributions to the realization of joint income shall be set forth in the self-management accord on establishment of the bank.

The self-management accord on establishment of the bank or specific self-management accord concluded among the bank's founders may provide that the bank's assembly may decide that joint income, after it has been distributed among the bank's founders, but before it has been paid into the giro accounts of the bank's founders, shall be committed and used to form funds and for other priority purposes.

#### Article 18

The bank's affairs shall be managed by its founders on the principles of delegate decisionmaking.

The bank's assembly shall be the body for managing the bank's affairs.

Decisionmaking procedure in the bank shall be defined in more detail by the bank's bylaws.

#### Article 19

A bank shall have bylaws.

If the bylaws do not conform to the self-management accord establishing the bank, the provisions of the self-management accord shall be applied.



## Article 20

Personnel who perform administrative and specialized, auxiliary and other similar jobs in the bank may form one or more work communities on the basis of the self-management accord.

Relations between the bank and its work community shall be regulated in a self-management accord on mutual rights, obligations and responsibilities, depending on the amount and nature of the work and the degree of responsibility for the bank's operating results.

## Article 21

Personnel in the bank's work community shall be responsible for prompt and effective performance of the jobs which the work community performs in the bank.

If a receivable becomes uncollectible through the fault of the work community, the bank's assembly may decide that the uncollectible receivables be partially or altogether charged to the resources which the work community possesses, under the conditions and in the manner set forth in the self-management accord establishing the bank and in the self-management accord on mutual rights, obligations and responsibilities.

If a bank shows an uncovered loss in the year-end statement, during the period until the loss is covered and until the bank begins to operate without a loss, the funds for personal incomes of the work community shall be reduced in proportion to the responsibility of the work community as established by the bank's assembly.

## Article 22

Social oversight of bank business operation as to their overall conduct of business shall be conducted with respect to their operation throughout the Socialist Federal Republic of Yugoslavia and with respect to their operation in a republic or province by the SFRY Assembly and by the assembly of the respective republic or province.

Oversight of bank business operation and verification of the correctness and lawfulness of the indicated financial result shall be exercised by the National Bank of Yugoslavia and Social Accounting Service in conformity with powers granted them by law and other enactments.

At least once a year the National Bank of Yugoslavia and the Social Accounting Service of Yugoslavia shall submit to the SFRY Assembly and Federal Executive Council a report on the lawfulness of operation and correctness of business operation of the banks throughout the country, based on the conduct of supervision.

## Article 23

In order to exercise and protect their self-management rights with respect to management of affairs and resources in the entirety of the relations of social reproduction, the workers in organizations of associated labor and the workers and other social juridical persons who are founders of the bank shall exercise workers' self-management control both through the bank's governing bodies and through the bank's specific body for workers' self-management control, in conformity with law and the self-management accord on establishment of the bank.

## Article 24

For the purpose of this law "banks" means:

- i. internal banks,
- ii. basic banks, and
- iii. associated banks.

The basic bank may be specialized in performing banking transactions in a particular field or in pursuit of the common interests of organizations of associated in the process of reproduction.

For the purpose of this law "other financial organizations" means:

- i. the Postal Savings Bank
- ii. savings banks and other savings and credit organizations;
- iii. funds of associated labor, and
- iv. other financial organizations established in conformity with law.

## Article 25

Banks and other financial organizations shall be juridical persons with the rights, obligations and responsibilities which they have on the basis of the SFRY Constitution, law and the self-management accord on establishment.

The bank or other financial organization may commence operation upon entry in the court register.

The entry shall be made in the court register at the request of the authorized person of the bank or other financial organization, who shall submit the following:

- 1) the application for entry in the court register;
- 2) the self-management accord on establishment that has been concluded;

3) other documents pursuant to regulations on entry in the court register.

## 2. Internal Banks

### 1) Business Operation of the Internal Bank

#### Article 26

Basic and other organizations of associated labor which have mutual ties in the process of production and commerce (hereinafter "founders of the internal bank") may establish an internal bank as a self-managing financial organization in order to pursue common interests in business employment of money resources and in order to provide an ongoing accounting of the movement of every founder's resources and income.

Internal banks shall be established in a self-management accord on establishment of an internal bank.

The internal bank shall conduct its business through its own giro account.

#### Article 27

The internal bank may conduct all the banking, credit and money transactions which its founders may perform, in conformity with the self-management accord establishing the internal bank and with law, but specifically the following:

1) preparation of proposals for financing development plans and programs for current activity of the internal bank's founders on the basis of which self-management decisions are made on the pooling of labor and resources among basic and other organizations of associated labor and other social juridical persons, concerning the joint realization of income and concerning credit to be obtained in the Socialist Federal Republic of Yugoslavia and abroad;

2) the pooling of labor and resources for investment in fixed capital and permanent working capital on behalf of joint realization of income, mutual credit financing or financial backing with nonreturnable resources.

3) the pooling of resources for mutual short-term credit financing and maintenance of current liquidity;

4) the conduct of particular settlement transactions related to the matters referred to in Article 28 of this law for the founders of the internal bank and care as to the prompt execution of payment orders, mutual credit financing related to payments which have been made and computation of interest if computation of interest has been envisaged by the mutual agreement, and also the acceptance of payments credited to founders of the internal bank on the basis of special authority and in accordance with the procedure envisaged by the self-management accord or other general self-management acts or contract in conformity with regulations;

5) transferring resources from the flow-through account to the giro account of the internal bank if this has been envisaged in the self-management accord on entry into association to form the internal bank, including distribution of those resources among the internal accounts of the founders of the internal banks who share in the joint revenues. The internal bank may make a transfer of resources notwithstanding the provisions of the law which regulates the establishment and distribution of gross income and income provided that the joint revenues, in conformity with the self-management accord, are realized and distributed through the flow-through account in the internal bank. The internal bank is required to make a temporary distribution of joint revenues by means of accounts through the giro accounts of the basic organization of associated labor participating in the joint revenues or through the giro account of the work organization if the workers of the basic organizations of associated labor which are founders of the internal bank have decided to realize gross income and to dispose of the resources which they manage through the giro account of the work organization, within the periods prescribed in the law regulating the establishment and distribution of gross income and income;

6) payment of obligations in its own name, but on the account of founders of the internal bank out of the resources which have been specifically transferred to the giro account of the internal bank specifically to pay off joint obligations or the obligations of a basic organization of associated labor;

7) care concerning the creditor-debtor relations of the founders of the internal bank;

8) the keeping of records concerning the mutual financial and credit obligations of founders of the internal bank and concern about the proposal and prompt performance of measures to correct delinquency in the meeting of those obligations;

9) the organization and collection of savings deposits from workers of its founders and workers and individuals who have concluded a contract on cooperation in the basic organizations of associated labor which are the founders of the internal bank and payment of their personal incomes through passbook savings accounts and current accounts in the internal bank;

10) performance of other banking and financial transactions which have been envisaged in general self-management or specific acts, but in conformity with law.

The internal bank may not accept time deposits not specified as to purpose nor grant credits to other social and civil juridical persons and individuals except on the account of its founders in order to augment their production or sales and to achieve other common business interests in the context of Article 207 of this law, as well as to individuals who have concluded a contract on cooperation with the founders of the internal bank.



The resources of social juridical persons kept in accounts with the Social Accounting Service may not be accepted as deposits within the business operation of the internal bank, nor may credits be granted from those resources.

#### Article 28

The founders of the internal bank shall have their internal accounts in the internal bank, which shall serve them as follows:

i. settle their mutual obligations on the basis of sales of goods and rendering of services, except on the basis of investment; and

ii. furnish them records on the mutual relations of the internal bank's founders on the basis of the resources pooled in the internal bank, with respect to money transactions conducted, as well as on in order to monitor the movement of resources involved in the internal bank's business operation.

#### Article 29

On the account of its founders, on the basis of the self-management accord on pooling resources, the internal bank shall perform the functions envisaged in Article 28 of this law through internal accounts, in conformity with federal law.

The internal bank shall file the report on payments made referred to in Article 28 of this law concerning the mutual obligation of founders of the internal bank which have been discharged with the Social Accounting Service at the end of every month.

In order to provide for social recordkeeping and performance of information and analytical functions, the internal bank is required to furnish and file data monthly with the Social Accounting Service according to an instruction which will be prescribed by the general director of the Social Accounting Service.

Mutual debts and claims among the founders of the internal bank which have arisen on the basis of investments may not be settled through internal accounts in the internal bank.

#### Article 30

Regulations governing enforcement of the provisions contained in Article 27, Subparagraphs 5 and 6, and Article 29, Paragraphs 2, 3 and 4, of this law shall be issued by the official who heads the federal administrative agency responsible for finance, on the recommendation of the general director of the Social Accounting Service.

#### Article 31

The founders of the internal bank may authorize the internal bank to organize and conduct money and credit transactions on the basis of their

direct orders or to perform particular money and credit transactions in accordance with their development program or plan of current activity and measures to implement them.

#### Article 32

On the basis of the decision of its founders, an internal bank may be founder of a basic bank in the context of the provisions of this law.

#### Article 33

A founder of an internal bank may on the basis of a self-management accord or contract authorize the internal bank to transfer credit resources taken on its account to the giro account of the internal bank and to use them to discharge its own obligations and those of other founders of the internal bank.

The inflow of resources on the basis of credit and payments from those resources shall be recorded in the internal accounts of the founders of the internal bank in which the other resources of the internal bank's founders are also recorded.

#### Article 34

The founders of an internal bank may transfer uncommitted money resources of their reserves to the giro account of the internal bank for temporary use to maintain liquidity and to pay obligations of the founders of the internal bank, in conformity with federal law.

#### Article 35

The resources which a founder of an internal bank pools or invests in an internal bank shall constitute an integral part of his total resources and may also be used to meet his obligations towards third persons consistent with this law.

### 2) Management and Decisionmaking in the Internal Bank

#### Article 36

The internal bank shall be managed on the principles of delegate decisionmaking by the workers in basic organizations of associated labor which have concluded the self-management accord on establishment of the internal bank.

The founders of the internal bank shall all have the same rights and obligations in management of the bank.

#### Article 37

Social juridical persons which have not entered into the self-management accord on establishment of the internal bank, but have pooled resources for particular purposes through the internal bank on the basis of a specific self-management accord, shall manage the resources pooled for that purpose, shall participate in distribution of revenues realized as joint income, and shall bear the risk which arises out of the business employment of those resources.

#### Article 38

The assembly shall be the governing body of the internal bank, and the business board shall be its executive body.

An internal bank may also have other bodies to which the assembly of the internal bank delegates certain executive and advisory functions.

The self-management accord on establishment of the internal bank and other general self-management acts of the internal bank shall define the bodies referred to in Paragraph 2 of this article.

#### Article 39

The assembly of the internal bank shall be made up of delegates of all the founders of the internal bank.

Every founder shall have at least one delegate in the internal bank's assembly.

#### Article 40

The assembly of the internal bank shall perform the following:

- 1) enact the general self-management acts of the internal bank;
- 2) enact the medium-term plan and annual plan of the internal bank and measures to implement those plans, as well as the internal bank's business policy documents and measures to implement them;
- 3) make decisions on status changes of the internal bank;
- 4) enact measures to maintain the liquidity of the internal bank and propose measures for the liquidity of its founders;
- 5) accept the report on the operation of the internal bank;
- 6) accept the year-end statement of the internal bank and decide on the use and distribution of revenues earned as joint income;

7) accept the plan for revenues and expenditures and the financial plan of the internal bank;

8) decide on the election and dismissal of members of the business board and other bodies of the internal bank;

9) accept the self-management accord on mutual relations between the internal bank and the personnel of the work community in the internal bank;

10) appoint the professional management entity of the internal bank;

11) decide on other matters in conformity with the self-management accord on establishment of the internal bank and the bylaws of the internal bank.

A general self-management act of the internal bank shall state the way in which the bodies of self-management of the founders of the internal bank shall be informed concerning the bank's business and its operation.

#### Article 41

The business board of the internal bank shall specifically perform the following tasks:

1) make the decision to call meetings of the assembly of the internal bank;

2) prepare proposals decided on by the assembly of the internal bank;

3) see to performance of the tasks contained in the medium-term plan and annual plan of the internal bank and other decisions of the internal bank's assembly;

4) make decisions concerning the affairs of the internal bank between meetings of the assembly, but within the limits of the powers set forth in general self-management acts and specific decisions of the internal bank's assembly;

5) to see to, undertake and implement measures to maintain the liquidity of the internal bank and its founders;

6) make decisions on extending short-term credits it is authorized to make by the general self-management acts of the internal bank;

7) create committees and commissions to perform specific tasks in its jurisdiction, define their rights and appoint and dismiss their members;

8) furnish initiative and examine proposals for financing the development plans and programs of current activity of the founders of the internal bank on the basis of which self-management decisions are made concerning the pooling of labor and resources on the basis of joint realization of income, mutual credit financing or financing with nonrepayable resources;



9) furnish the initiative and examine proposals for the pooling of labor and resources with other organizations of associated labor, self-managing communities of interest and other social juridical persons who are not founders of that internal bank;

10) furnish initiative and examine proposals for obtaining credit in the Socialist Federal Republic of Yugoslavia and abroad.

The business board of the internal bank is required to convene the assembly of the internal bank if this is requested by one-third of the founders of the internal bank.

#### Article 42

The internal bank shall have a professional management entity, which may be either an officer or a body.

The conditions and manner of appointment and the dismissal of the professional management officer or the chairman and members of the professional management body shall be regulated by the self-management accord on establishment of the internal bank, in conformity with law.

#### Article 43

More detailed provisions on the rights and duties and responsibilities of the professional management entity of the internal bank shall be set forth in the self-management accord on establishment of the internal bank and in its other general self-management acts.

The rights and duties of the internal bank's professional management entity vis-a-vis the work community of the internal bank shall be set forth in the general self-management acts of the internal bank and a self-management accord concluded between the internal bank and its work community.

#### 3) Planning and Business Policy in the Internal Bank

#### Article 44

The internal bank shall adopt a medium-term plan and an annual plan.

The internal bank's plans shall be founded on the joint bases for preparation of the medium-term plans of its founders.

The medium-term plan and the annual plan of the internal bank shall be enacted in the manner set forth in the self-management accord on establishment of the internal bank, its bylaws and law.

#### Article 45

The internal bank's medium-term plan, whose point of departure shall be the common goals of the founders of the internal bank in augmenting their own

and total social income and raising labor productivity, shall specifically contain the following:

- 1) the common goals and tasks of development to be realized through that plan;
- 2) the aims of pooling resources and the purposes and conditions of use of the pooled resources;
- 3) the manner of enlisting resources as well as the purposes and conditions of use of the resources enlisted;
- 4) maintenance of liquidity of the internal bank and its founders.

#### Article 46

The internal bank's annual plan shall reconcile the possibility for fulfilling the internal bank's medium-term plan with the capabilities of the internal bank and its founders in the year for which it is adopted.

The annual plan of the internal bank shall specifically contain the following:

- 1) sources of resources to be pooled, obtained and enlisted as well as purposes of their use;
- 2) the policy as to extending credit to founders of the internal bank;
- 3) the plan of revenues and expenditures and the plan of the internal bank's credit balance.

Documents to implement the annual plan of the internal bank shall be adopted along with that annual plan, specifically the following:

- 1) an act concerning the manner and measures of fulfilling the internal bank's annual plan;
- 2) the schedule of charges for the services which the internal bank performs;
- 3) a document on the ways and means of maintaining the liquidity of the internal bank and its founders;

The business policy documents of the internal bank must be consistent with the internal bank's annual plan.

#### Article 47

Consistent with the powers it has been granted and in order to expand opportunities for fulfillment of its plans and the plans of its founders, the internal bank shall act as follows:

1) conclude self-management accords with other banks concerning joint measures to fulfill plans;

2) enter into consortiums with other banks, organizations of associated labor and other social juridical persons in order to fulfill certain development plans and programs of current activity of its founders or other social juridical persons.

4) Maintenance of Liquidity and the Bearing of Risks in the Internal Bank

#### Article 48

The internal bank shall conduct its business in a manner which guarantees the performance of its obligations to their full extent and in accordance with their respective due dates and thereby maintains its liquidity and the liquidity of its founders.

The self-management accord on establishment of the internal bank, the medium-term plan and the annual plan of the internal bank and of its founders shall state the manner, measures and responsibilities for maintaining the internal bank's liquidity.

#### Article 49

The internal bank's obligations shall be met out of the resources in its giro account.

If the resources in the internal bank's giro account are not sufficient to meet its obligations, the resources of its reserve fund shall be used.

#### Article 50

The internal bank shall write off uncollectible claims under credits extended against the revenues it realizes in the conduct of its business.

If uncollectible claims cannot be written off against the revenues of the internal bank, the writeoff shall be made against the resources of the internal bank's reserve fund.

If the writeoff of uncollectible claims cannot be made against the resources of the reserve fund, the internal bank's assembly shall decide on the manner of writing off the uncollectible claims and on the sources of funds from which that writeoff is to be made.

The resources of the reserve fund of the internal bank used to write off uncollectible claims must be returned to that fund within a period of time which may not be longer than five years, and it is further provided that at least one-fifth of the resources used shall be repaid each year.

#### Article 51

The internal bank shall be liable for its obligations with all the resources which it possesses.

If the resources of the internal bank's reserve fund and other resources which the founders of the internal bank have pooled in the internal bank are not sufficient to meet its obligations, the founders shall be liable for the obligations of the internal bank in conformity with the self-management accord on establishment of the internal bank.

#### Article 52

If an internal bank ceases operation, claims on the basis of savings deposits and current accounts shall be met before claims of that bank's other creditors are met.

#### 5) Formation, Use and Distribution of Revenues in the Internal Bank

#### Article 53

The revenues of the internal bank are formed from the following sources:

- 1) charges for performance of banking services;
- 2) interest on credit granted;
- 3) other revenues which the internal bank realizes in the conduct of its business consistent with its general self-management acts and regulations in effect.

#### Article 54

The revenues which the internal bank realizes through the conduct of its business, after operating costs have been reimbursed and appropriations made for the work community, which comprises joint income, shall be distributed by the founders of the internal bank among themselves according to the contribution which they have made to realizing that income, in conformity with the self-management accord on establishment of the internal bank.

#### Article 55

The operating costs of the internal bank referred to in Article 17 of this law include interest on credits taken and resources deposited, charges for banking services, writeoffs of uncollectible claims, depreciation, the costs of office space and equipment and other operating costs in accordance with the self-management accord on establishment of the internal bank.

If the revenues which the internal bank realizes are not adequate to cover the operating costs of the internal bank, the founders of the internal bank



shall establish the manner in which the necessary resources are to be furnished.

#### Article 56

The workers in the internal bank's work community shall realize income out of the revenues which the internal bank realizes in the conduct of its own business as a function of its contribution to the conduct of the internal bank's business operation and to meeting the needs and interests of the internal bank's founders.

The workers of the internal bank's work community shall realize resources for personal incomes and for social-service consumption in conformity with the bases and scales set forth in the self-management accord concluded between the internal bank and its work community and in conformity with social compacts on distribution of resources for personal incomes and social-service consumption of workers in associated labor and workers in work communities of the internal bank's founders.

#### 6) Funds in the Internal Bank

#### Article 57

The internal bank shall have the following funds in order to build up resources for liquidity and reliability in the conduct of business, as well as to expand the material base of operation:

- 1) reserve fund;
- 2) capital assets fund.

The resources of the funds referred to in Paragraph 1 of this article shall be formed from the pooled resources of the internal bank's founders and from the resources referred to in Article 17, Paragraph 3, of this law, but on the basis of the self-management accord on establishment of the internal bank, its general self-management acts, and law.

The resources of the internal bank's funds shall be entered and kept in the name of the founders of the internal bank.

The resources of the internal bank's funds shall be used in accordance with the self-management accord on establishment of the internal bank, its general self-management acts, and law.

The internal bank shall also use the resources referred to in Paragraph 1 of this article for investment in the funds of the basic bank at the time of basic bank's establishment.

#### Article 58

The resources of the reserve fund shall be used to maintain the internal bank's current liquidity, to write off uncollectible claims, and to cover other risks arising out of the internal bank's business.

#### Article 59

Resources of the internal bank's founders shall be pooled in the reserve fund in the amount set forth in the self-management accord on establishment of the internal bank.

#### Article 60

When founders of the internal bank are withdrawing from the self-management accord on establishment of the internal bank, they may withdraw their share in the reserve fund or transfer it to other founders of that bank.

The self-management accord on establishment of the internal bank and its general self-management acts shall state the conditions, periods of time and manner of withdrawal of the share from the reserve fund or its transfer.

Withdrawal from the self-management accord referred to in Paragraph 1 of this article does not relieve a founder of the internal bank from risks arising out of conduct of the internal bank's business during the time of its membership in the internal bank.

In the case referred to in Paragraph 1 of this article, the founder of the internal bank may withdraw his share in the reserve fund after obligations to the internal bank have been met.

#### Article 61

The capital assets fund of the internal bank shall consist of office space, furniture, machines and other equipment used to carry on its business activity.

The internal bank shall use the money portion of the resources of the capital assets fund for conduct of its business.

#### Article 62

The internal bank's assembly may decide that the internal bank may take credits in its own name, but on the account of its founders, to purchase capital assets for the internal bank.

#### Article 63

A founder of an internal bank shall not have the right to withdraw resources pooled in the capital assets fund.

A founder of an internal bank, after withdrawal from the internal bank, may withdraw his portion of the money amount pooled in the capital assets fund.

### 3. Basic Banks

#### 1) Establishment of Basic Banks

##### Article 64

A basic bank may be established by basic and other organizations of associated labor and other social juridical persons (hereinafter "founders of the basic bank"), excepting sociopolitical communities and their bodies and agencies, which with the resources which they possess can discharge the obligation and bear the risk envisaged by the self-management accord on establishment of the basic bank in order to pursue common interests and furnish money resources for the performance, expansion and advancement of activity and in order to pursue other common interests, as well as for the conduct of money, credit and other banking transactions, but on the basis of decisions of its founders.

The basic bank shall be an independent and self-managed financial organization.

The economic-and-financial feasibility study referred to in Article 7 of this law shall be subject to acceptance by the founders.

The economic-and-financial study referred to in Paragraph 3 of this article shall specifically contain the following:

- i. a projection of resources and their composition, especially of resources intended for the bank's funds;
- ii. a projection of export and import transactions and the inflow of foreign exchange that will be realized through that bank;
- iii. elements of liability and responsibility for bearing the business risks of the bank and for guaranteeing the bank's liquidity;
- iv. the approximate type of business that the basic bank will be handling;
- v. the technical adequacy and makeup of the personnel of the work community of the basic bank to handle specialized jobs, consistent with this law;
- vi. other elements important to assessment of the conditions for the bank's successful operation.

The basic bank shall be established through the conclusion of the self-management accord on establishment of the basic bank.

##### Article 65

A social juridical person may become a founder of a basic bank provided:

- 1) that it concludes a self-management accord on establishment of the banks;

2) that it pool resources in the bank's fund in conformity with the self-management accord on establishment of the basic bank;

3) that it conclude a contract with the basic bank on keeping resources which are kept in a giro account with the Social Accounting Service as a sight deposit in that bank.

A social juridical person shall also become a founder of a basic bank if it enters into the self-management accord on establishment of the basic bank and contributes resources to the bank's funds, pursuant to the self-management accord on establishment of the basic bank.

A social juridical person who is the founder one or more banks may not assume liability for business operation and risk exceeding the level of its business fund.

#### Article 66

A basic bank may perform all banking functions under the conditions envisaged by law.

#### 2) Business Units and Organizational Components

#### Article 67.

The founders of a basic bank may decide to establish a business unit of the basic bank in which they will handle particular functions of the bank, in conformity with the self-management accord on establishment of the basic bank.

The self-management accord referred to in Paragraph 1 of this article shall specifically set forth the following:

- 1) the conditions for establishment of a business unit;
- 2) the area within which the business unit shall conduct its business;
- 3) the rights, obligations and responsibilities of the bank's founders to the business unit;
- 4) the manner in which the business unit shall be managed;
- 5) the manner of disposition of resources through accounts with the Social Accounting Service for performance of specific functions of the business unit.

#### Article 68.

The basic bank's assembly shall make the decision on establishment of a business unit.



A business unit of a basic bank shall not have the status of a juridical person.

The business unit may not distribute joint income, nor may it form funds.

A business unit may not approve investment credits excepting for housing and municipal-service facilities and for the small business sector, if that has been envisaged by the decision referred to in Paragraph 1 of this article.

The basic bank shall conduct transactions through the business unit through its own account with the Social Accounting Service for conducting transactions through the business unit, and the resources in that account shall constitute an integral part of the basic bank's giro account.

#### Article 69.

A basic bank may have business organizational components such as the following: branch offices, agencies, detached teller's windows, and representative offices in the Yugoslavia.

#### Article 70.

The business unit referred to in Article 67 of this law shall also be entered in the court register.

A business organizational component of a basic bank as referred to in Article 69 of this law shall be entered in the court register in accordance with law.

### 3) Management and Decisionmaking in the Basic Bank

#### Article 71.

The basic bank shall be managed by the social juridical persons who have concluded the self-management accord on establishment of the basic bank.

A basic bank may not reject the application of a social juridical person to enter into the self-management accord on establishment of the basic bank if it fulfills the conditions stated in that accord and this law.

#### Article 72

A founder of a basic bank may withdraw from a self-management accord on establishment of the basic bank.

The conditions for withdrawal from a self-management accord on establishment of a basic bank and for withdrawal of the resources which have been pooled or invested shall be set forth in that accord, wherein consideration shall be paid to protecting the basic bank's liquidity.

Withdrawal from the accord as referred to in Paragraph 1 of this article shall not relieve the founder of the basic bank from obligations which occurred before withdrawal, nor of risks which arise out of the conduct of business by the basic bank when it was a founder of the basic bank.

#### Article 73

The founders of the bank shall manage the affairs of the basic bank as referred to in Article 71 of this law on the basis of the resources they have pooled or invested and time deposits for a term longer than one year.

The right of the bank's founders to share in management of the bank shall be defined in more detail by the self-management accord on the bank's establishment and the bylaws.

The self-management accord on establishment of the basic bank may restrict certain management rights of those founders who have not been meeting their obligations arising out of the self-management accord on establishment of the basic bank as well as other obligations to the bank until they discharge those obligations.

#### Article 74

Social juridical persons which have not concluded a self-management accord on establishment of a basic bank, but which have pooled or invested resources for particular purposes in a basic bank on the basis of a specific self-management accord or contract shall manage the resources pooled or invested for the particular purpose, shall participate in distribution of revenues as joint income, and shall bear the risk arising out of conduct of business with those resources.

#### Article 75

The assembly of the bank shall be the governing body of the basic bank.

The executive board shall be the executive body of the bank's assembly.

The basic bank shall have a credit committee.

The basic bank may also have other bodies to which the bank's assembly entrusts certain oversight, executive, scientific, specialized, advisory, and other similar functions.

The self-management accord on establishment of the basic bank, its bylaws or specific decision of the assembly of the basic bank may form other boards, committees, and other working and advisory bodies and set forth their jurisdiction, rights, obligations and responsibilities.

#### Article 76

The assembly of the basic bank shall be made up of delegates of the basic bank's founders.

The number of delegates of the basic bank's founders and the manner of election of delegates to the assembly shall be set forth in the self-management accord on establishment of the basic bank and the bylaws.

#### Article 77

The self-management accord on establishment of the basic bank and the bylaws may provide that a conference of all the basic bank's founders be called at the time of consideration and adoption of medium-term and annual plans, annual reports and the basic bank's year-end statement for the purpose of information and presentation of suggestions and proposals, and the conference's views must be taken under consideration in the basic bank's assembly.

#### Article 78

The assembly of the basic bank shall:

- 1) ascertain that the self-management accord on establishment of the basic bank has been adopted;
- 2) adopt the basic bank's bylaws;
- 3) adopt amendments and supplements to the basic bank's bylaws;
- 4) make the decision on termination of the basic bank's operation;
- 5) adopt the medium-term plan and annual plan and measures to implement them, as well as the documents embodying the bank's business policy;
- 6) decide on the general conditions for the granting of credit;
- 7) decide on the upper limit of the basic bank's indebtedness in the Socialist Federal Republic of Yugoslavia and abroad;
- 8) examine and accept the report on the basic bank's operation;
- 9) accept the basic bank's year-end statement and decide on the use and distribution of the income realized;
- 10) decide on adjustment of the value of contested and doubtful claims and on the writeoff of uncollectible claims;
- 11) adopt a program of the basic bank's development, organization and conduct of business and issue guidelines for carrying out that program;
- 12) elect and dismiss members of the executive board and credit committee and other boards and committees and other working and advisory bodies of the basic bank;
- 13) accept the self-management accord on mutual relations between the basic bank and the workers of the work community in the basic bank;

14) accept other self-management accords and assume other obligations which the basic bank has not assumed on some other basis;

15) appoint and dismiss the professional management entity of the basic bank.

#### Article 79

The bylaws of the basic bank shall set forth the composition, number of members and area of competence of the basic bank's executive board.

The assembly of the basic bank shall elect the members of the executive board and credit committee from among the ranks of the bank's founders.

#### Article 80

The executive board of the basic bank shall perform the following functions in particular:

- 1) convene meetings of the assembly of the basic bank;
- 2) prepare proposals to be ruled on by the assembly of the basic bank;
- 3) see to performance of the tasks of the medium-term plan and annual plan of the basic bank and also to execution of other decisions of the basic bank's assembly;
- 4) monitor the basic bank's liquidity and undertake and carry out measures to maintain it;
- 5) make decisions on taking and granting credit, endorsements and guarantees insofar as the bylaws authorize it to make those decisions, in conformity with the criteria set forth by the bank's assembly;
- 6) form boards and committees to perform special tasks within its jurisdiction, define their jurisdiction and appoint their members;
- 7) approve the report on the inventory of resources and source of resources.
- 8) and also perform other functions between meetings of the assembly, within the limits of the powers set forth in the bylaws and special decisions of the basic bank's assembly."

The executive board is required to convene the assembly of the basic bank if this is requested by more than half of the delegates to the bank's assembly or at least one-third of the founders of the bank.

#### Article 81

A basic bank may have one or more credit committees.



The bylaws or decision of the assembly of the basic bank shall set forth more detailed provisions on the number of credit committees and on the number of members, the composition and jurisdiction, and the rights, obligations and responsibilities of credit committees.

#### Article 82.

The executive board may authorize the professional management entity of the basic bank to make a decision on taking and granting short-term interbank credits for liquidity up to a certain amount, with a repayment period not to exceed 30 days.

The professional management entity of the basic bank is required to regularly submit a report to the executive board of the basic bank on exercise of the authority referred to in Paragraph 1 of this article.

The basic bank's bylaws shall set forth the possibility and scope of the authority to make decisions as referred to in Paragraph 1 of this article.

#### Article 83

The executive board shall form a committee of specialized personnel of the work community for extending credit to individuals.

Individuals who have savings deposits in the bank may be elected to the committee referred to in Paragraph 1 of this article.

The committee referred to in Paragraphs 1 and 2 of this article shall operate on the basis of powers granted in the decision to establish it, in accordance with an act and the business policy documents of the basic bank's assembly, which shall set forth the purposes, limit and conditions for extending credit, consistent with regulations.

#### Article 84

The professional management entity of the basic bank may be either an individual official or a body.

More detailed provisions on the manner of appointment and dismissal and on the rights and duties of the professional management entity of the basic bank shall be set forth in the self-management accord on establishment of the basic bank and in its bylaws, in conformity with law.

The rights and duties of the professional management entity of the basic bank vis-a-vis the work community of the basic bank shall be set forth in the bylaws of the basic bank, other general self-management acts and the self-management accord concluded between the basic bank and its work community.

#### 4) Planning and Business Policy in the Basic Bank

##### Article 85

The basic bank shall adopt a medium-term plan and an annual plan to implement the medium-term plan.

Pursuant to Articles 11 and 12 of this law, the points of departure in preparing the bank's plans shall be as follows:

- i. the joint goals and policy of the country's economic and long-range development;
- ii. the evaluated possibilities and conditions for development of its founders;
- iii. the joint bases for preparation of medium-term plans of the associated bank and the basic banks making it up;
- iv. obligations assumed under self-management accords, social compacts, and agreements which have been concluded in order to pursue particular common interests and the goals set forth in the plans adopted.

##### Article 86

The joint bases for preparation of medium-term plans shall be set forth as a single document for the plan of the associated bank and the plans of the basic banks making it up.

The joint bases for preparation of medium-term plans shall specifically contain the following:

- i. an assessment of the joint conditions and potential for development and the common interests of associated labor within the framework of the basic and associated bank;
- ii. the goals and tasks of joint development policy and business policy of the associated bank and basic banks comprising up;
- iii. the mutual obligations of the associated bank and the basic banks, which shall be set forth in their plans, along with the manner of their settlement.

##### Article 87

The basic bank's medium-term plan shall specifically set forth the following:

- i. the volume and forms of pooling and investment of resources to carry on current activity and broaden the material base of operation of the organizations of associated labor and other social juridical persons;

- ii. the pattern of commitment of money resources by purposes;
- iii. the conditions, criteria and priorities governing the commitment of money resources;
- iv. the conditions for joint commitment of money resources with other banks in order to finance capital investment projects and joint programs for development essential to the country's stable economic development;
- v. the bases of policy for augmenting joint income and its distribution and the conditions for the use of joint reserves.

#### Article 88

The following shall constitute integral parts of the basic bank's medium-term plan:

- 1) the plan of the bank's balance;
- 2) the plan of the bank's uncommitted investment potential;
- 3) the plan of the inflow and outflow of foreign exchange;
- 4) the plan of the bank's revenues and expenditures;
- 5) a decision on the criteria and indicators for assessment of the socioeconomic feasibility of intended investment projects.

#### Article 89

The annual plan of the basic bank shall set forth measures and activities to achieve the goals and perform the tasks envisaged by the medium-term plan which is to be based on an assessment of conditions and potential for development in the year for which the plan is being adopted.

The following shall constitute an integral part of the basic bank's annual plan:

- 1) the plan of the bank's balance;
- 2) the plan of the uncommitted investment potential;
- 3) the plan of the inflow and outflow of foreign exchange;
- 4) the plan of revenues and expenditures;
- 5) the plan of interest rate and service charge policy.

#### Article 90

In establishing the conditions and criteria for committing money resources in its plans and carrying them out, the basic bank shall be required to

ensure profitability, liquidity and soundness in making loans, so that the resources go to creditworthy applicants who have had financial and business success, and with respect to applications to finance investment projects -- to investors who have the requisite capability in terms of organization and personnel.

In order to increase the economic effectiveness of bank credit and meet demands for restructuring the economy set forth in plans, preference shall be given to the following in establishment of the criteria and standards for committing resources in its plans and in carrying them out;

i. to investments which show the best or a better ratio of anticipated accumulation to the resources invested;

ii. to investments which, other conditions being equal, guarantee the larger and faster total net inflow of foreign exchange.

In adopting plans and committing resources the bank may also use other economic criteria, such as the turnover coefficient of resources, the rate of self-financing, etc.

#### Article 91

The basic bank may grant the use of investment credits and issue guarantees on the basis of those credits only up to the amount of the uncommitted investment potential for year in question, in conformity with law.

#### Article 92.

The basic bank shall be required to make its planning documents public in the manner set forth in the bank's bylaws.

#### Article 93.

The basic bank shall be required to inform its founders at least once a year about progress in fulfillment of plans and about the discharge of obligations set forth in accords and compacts in order to pursue the common interests and attain the common objectives set forth in the bank's plans;

The intervals, content and manner of reporting shall be set forth in the basic bank's bylaws.

#### 5) Maintaining Liquidity and Taking Risks in the Basic Bank

#### Article 94

The self-management accord on establishment of the basic bank, the medium-term plan and the annual plan of the basic bank shall set forth the manner of and measure and responsibility for maintaining the liquidity of the basic bank as well as the volume of liquid assets relative to the basic bank's obligations.



#### Article 95

The founders of the basic bank or other social juridical person may not dispose of resources in their giro account and other accounts kept in the Social Accounting Service, but included in that bank, so long as the bank is illiquid.

#### Article 96

A basic bank which places its endorsement on securities issued by organizations of associated labor, issues guarantees to cover their obligations and issues its own securities in order to maintain liquidity is required to form a separate liquidity reserve.

The National Bank of Yugoslavia shall set forth the conditions under which a special liquidity reserve shall be formed and the limits for extending endorsements on that basis.

The formation and size of the special liquidity reserve shall be set forth relative to the volume of transactions referred to in Paragraph 1 of this article in the self-management accord on establishment of the basic bank, the medium-term plan of the basic bank, and other general self-management acts or decisions of the basic bank's assembly.

The resources of the special liquidity reserve shall be kept in the regular giro account of the basic bank unless federal law provides otherwise.

#### Article 97

A self-management accord of basic and associated banks concerning their mutual short-term credit financing may be concluded to maintain current liquidity in case of a short-term discrepancy in time between resources and obligations.

The accord referred to in Paragraph 1 of this article shall state the procedure, conditions and sources of resources for the credit financing referred to in that paragraph.

The functions referred to in Paragraph 1 of this article may be performed within the framework of an association of banks, through its separate account in the Social Accounting Service, and also within the framework of associated banks.

Associations of banks and associated banks, as part of performing the functions referred to in Paragraph 1 of this article, may engage in the buying and selling of securities issued under the provisions of the federal law regulating security of payments between users of social resources as well as in the buying and selling of other securities.

The self-management accord referred to in Paragraph 1 of this article shall set forth the rights, obligations and mutual responsibilities of all

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participants within the framework of the association of banks and associated banks.

Administrative-technical functions, auxiliary functions and other similar functions shall be performed by personnel in the work community of the association of banks as referred to in Paragraph 1 of this article or by the personnel in the work community of the associated bank.

#### Article 98

The obligations of the basic bank shall be met out of the resources in its giro account.

If there are not sufficient resources in the giro account of the basic bank to meet the obligations, first the resources of its reserve fund shall be used, and then the resources of its legal reserve with the National Bank of Yugoslavia.

The use of the legal reserve referred to in Paragraph 2 of this article may not exceed 50 percent of all the resources set aside in the legal reserve before adoption of a program for emergency financial rescue of the basic bank.

Resources used from the reserve fund and legal reserves shall be repaid from the very next revenue of the basic bank's giro account, as set forth in federal law.

During the period it is using the reserve fund or legal reserve in the National Bank of Yugoslavia the basic bank may not issue credit nor make other lendings.

#### Article 99

The professional management entity of the basic bank shall take steps to ensure the bank's liquidity and shall be required to regularly inform the bank's executive committee of use of resources from the reserve fund or legal reserve to meet the obligations of the basic bank.

#### Article 100

If a basic bank uses resources of the reserve fund in the context of Article 98, Paragraph 2, of this law for a total length of time of 10 days during the month, the executive board of the basic bank is required to examine the state of liquidity and to take the measures envisaged by general self-management acts of the basic bank in order to furnish resources in the giro account of the basic bank for prompt discharge of obligations.

#### Article 101

If a basic bank uses resources of the legal reserve in the context of Article 98, Paragraphs 1, 2, 3 of this law continuously for a period of

five days or intermittently for a period of time of 10 days during a single month, the executive board of the bank must take the steps envisaged by general self-management acts of the basic bank to maintain the basic bank's liquidity.

The executive board of the basic bank is required to take a decision on undertaking the measures referred to in Paragraph 1 of this article within a period of five days from the date of expiration of the periods of time stated in Paragraph 1 of this article and to so inform the national bank of the republic or national bank of the autonomous province immediately.

#### Article 102

A basic bank shall be considered illiquid for the purpose of this law if the measures referred to in Articles 100 and 101 of this law, taken within the period of 10 days from expiration of the period referred to in Article 101 of this law have not furnished resources for repayment of the resources of the legal reserve which had been used and the regular discharge of the basic bank's obligations.

The basic bank shall also be considered illiquid if it uses more than 50 percent of the resources of its legal reserve.

#### Article 103

The chairman of the executive board of the basic bank is required to convene a meeting of the executive board within a period of five days from the date of expiration of the period of time stated in Article 101, Paragraph 2, of this law at which it will take up the state of the bank's liquidity.

If the executive board finds that the basic bank is illiquid, within the five days that follow after the date the meeting is held in which it was found that the bank was illiquid, it is required to convene a session of the assembly of the basic bank, which must be held within the period of the next 20 days from the date when the meeting of the executive board was held.

In the meeting of the basic bank's assembly within the period of time stated in Paragraph 1 of this article the causes of liquidity shall be established and measures, manner and period of time stated for correcting the causes of the bank's illiquidity.

#### Article 104

The national bank of the republic or national bank of the autonomous province, if it finds that the measures and decisions taken are not adequate to rescue the basic bank, may also propose supplemental measures for the rescue of that bank to the basic bank's assembly.

In accordance with Paragraph 1 of this article, the national bank may propose to the basic bank's assembly that it change the professional management entity of the basic bank.

#### Article 105.

If within the period of time stated in Article 103, paragraph 3, of this law conditions are not assured for the liquidity of the basic bank, the basic bank's assembly shall adopt the bank's emergency financial rescue program within a period of 30 days.

The basic bank is required to notify immediately the national bank of the republic or national bank of the autonomous province and National Bank of Yugoslavia, the competent social accounting service, the assembly of the republic or assembly of the autonomous province, and the assembly of the commune in which the basic bank is domiciled of decisions made and measures undertaken as referred to in Paragraph 1 of this article.

#### Article 106.

The assembly of the republic or assembly of the autonomous province may adopt special measures for financial rescue of a basic bank on the basis of the proposal of the bank's assembly and the opinion of the National Bank of Yugoslavia.

As an exception, if the measures taken by the basic bank's assembly, supplemental measures and the measures of the assembly of the republic or the assembly of the autonomous province do not guarantee rescue of the basic bank, and termination of the operation of the basic bank would cause major disturbances in maintenance of liquidity within the country and in foreign transactions, the national bank of the republic or national bank of autonomous province and the National Bank of Yugoslavia shall defer collection of a portion of credits granted, in the manner and under the conditions which shall be set forth by the SFRY Assembly for each individual bank.

If a sociopolitical community is participating in the financial rescue of a basic bank, the competent authority in the republic or autonomous province may in response to a proposal of the national bank of the republic or national bank of the autonomous province adopt a decision appointing an authorized person in the basic bank from among the personnel specialized in the particular field who will monitor enforcement of all the measures for the basic bank's financial rescue.

The authorized person referred to in Paragraph 3 of this article shall have the right and duty to stay execution of any decision of a body of the basic bank which is not consistent with the measures for emergency rescue of the basic bank and to so inform the assembly of the republic or assembly of the autonomous province immediately so that the final decision can be made.



#### Article 107

If the measures of the basic bank referred to in Articles 105 and 106 of this law do not achieve rescue of the basic bank within a period of the next 90 days, the basic bank shall cease operation.

#### Article 108

The assembly of the basic bank shall notify the national bank of the republic or national bank of the autonomous province and the Social Accounting Service concerning termination of the basic bank's operation.

#### Article 109

If a basic bank ceases to operate, the claims of individuals on the basis of savings deposits, current accounts and deposits in foreign-exchange accounts of individuals shall be met before meeting the claims of other creditors of the basic bank.

After the obligations referred to in Paragraph 1 of this article have been met, the available resources shall be used first to discharge the obligations of creditors who are not founders of that basic bank.

#### Article 110

The basic bank shall be liable for its obligations with all the resources it possesses.

If the resources referred to in Paragraph 1 of this article are not sufficient to meet its obligations, the founders shall be liable for the obligations of the basic bank in accordance with the self-management accord on establishment of the basic bank.

#### Article 111

Uncollectible claims related to credits granted shall be written off by the basic bank against the revenues which it realizes in conduct of its business.

If uncollectible claims cannot be written off against the revenues of the basic bank, the writeoff shall be charged to the resources of the basic bank's joint and several liability fund.

If the writeoff of uncollectible claims cannot be charged to the resources of joint and several liability, the assembly of the basic bank shall decide on the manner of the writeoff and on sources of resources from which that writeoff shall be made.

Resources used from the joint and several liability fund of the basic bank to write off uncollectible claims must be repaid to that fund within a period of time which may not be longer than five years, and it is further

provided that at least one-fifth of the resources used shall be repaid each year during that period.

#### 6) Formation, Use and Distribution of Revenues and Joint Income in the Basic Bank

##### Article 112

The revenues of the basic bank shall be formed from the following:

- 1) participation in income on the basis of income earned jointly in the Socialist Federal Republic of Yugoslavia or in the revenue from joint ventures abroad;
- 2) interest on credits granted;
- 3) charges for rendering banking services;
- 4) positive net result of differences in rates of exchange;
- 5) other revenues which the basic bank realizes in the conduct of its business, consistent with its bylaws and with regulations.

##### Article 113

The revenues which a basic bank realizes in the conduct of its business, after operating costs have been covered and appropriations made to the work community, shall be distributed as joint income by the founders of the basic bank among themselves according to the contribution they have made to realizing the joint income, in a manner consistent with the self-management accord on establishment of the basic bank.

##### Article 114

The operating costs of the basic bank referred to in Article 17 of this law shall include interest on credits taken and other resources, fees for banking services, the negative net result of differences in rates of exchange, writeoffs of uncollectible claims, depreciation, expenses for office space and equipment, and other operating costs consistent with the self-management accord on establishment of the basic bank.

##### Article 115

If revenues which the basic bank realizes in the conduct of its business are not sufficient to cover the operating costs stated in Article 114 of this law and also to set aside resources for the work community, and there are not resources in the joint and several liability fund to cover the loss which has occurred, in adopting the year-end statement the assembly of the basic bank shall make a decision on the manner of covering the loss which has been incurred.

The assembly of the basic bank is required at the same time to examine the causes of the loss and to ascertain responsibility for the loss incurred in the conduct of business, as well as to adopt measures to cover the loss incurred.

Other basic banks may also participate in covering the losses of a basic bank if that is in the interest of their founders.

If within the period of one year from the date of making the decision referred to in Paragraph 1 of this article the loss has not been covered, and a program for the bank's emergency financial rescue has not been adopted, the basic bank shall terminate operation.

In case of termination of operation of a basic bank as referred to in Paragraph 4 of this article, the provisions of this law pertaining to the obligations of a basic bank which terminates operation following completion of financial rescue procedure shall apply.

#### Article 116

The personnel in the work community of the basic bank shall realize income from the revenues which the basic bank realizes in the conduct of its business as a function of their contribution to the business operation of the basic bank and to fulfilling the needs and pursuing the interests of the basic bank's founders.

The personnel of the work community of the basic bank shall obtain resources for personal incomes and social-service expenditure in conformity with the bases and scales set forth in the self-management accord concluded between the basic bank and its work community and in conformity with social compacts on distribution of resources for personal incomes and for social-service expenditure of workers in associated labor and workers in work communities of the founders of the basic bank.

The self-management accord referred to in Paragraph 2 of this article shall guarantee that the resources for the work community will be a function of the volume and quality of the work community's work and the degree of its responsibility.

#### 7) Funds in the Basic Bank

#### Article 117

In order to build up resources to guarantee reliability and liquidity in the conduct of business and also for the material base of operation, the basic bank shall have the following funds:

- 1) the joint and several liability fund;
- 2) reserve fund;
- 3) capital assets fund.

The basic bank may also form other funds on the basis of the self-management accord on establishment of the basic bank and its bylaws or on the basis of other self-management accords and decisions of the founders of the basic bank.

The resources of the funds referred to in Paragraphs 1 and 2 of this article shall be formed from the pooled resources of the founders of the basic bank and from the resources referred to in Article 17, Paragraph 3, of this law, on the basis of the self-management accord on establishment of the basic bank, its bylaws and law.

The resources of the basic bank's funds shall be entered and kept in the name of the founders of the basic bank.

The resources of the basic bank's funds are to be used consistent with the self-management accord on establishment of the basic bank and its bylaws or on the basis of other self-management accords and decisions of the basic bank's founders.

#### Article 118

The resources of the joint and several liability fund shall be used to write off uncollectible claims as well as to cover losses and other risks arising out of conduct of the basic bank's business.

The resources of the joint and several liability fund may also be used temporarily for investments in purposes consistent with the self-management accord on establishment of the bank or decisions of the basic bank's assembly.

#### Article 119

The level of resources in the joint and several liability fund shall amount to at least 5 percent of lendings on which the basic bank is taking a risk as indicated in the year-end statement for the previous year.

The manner of pooling and the period of time for payment of resources into the joint and several liability fund shall be set forth in the self-management accord on establishment of the basic bank, but the period for payment may not be longer than five years, and the amount pooled annually shall be at least one percent.

#### Article 120

The resources of the reserve fund shall be used to maintain the current liquidity of the basic bank, in accordance with law and other regulations.

The resources of the reserve fund shall be kept apart in a separate account with the national bank of the republic or national bank of the autonomous province.



#### Article 121

The resources of founders of the basic bank shall be pooled in the reserve fund, but the amount of resources pooled in that fund may not be less than one percent of the outstanding lendings on which the basic bank is at risk, according to the year-end statement for every year for which the resources are being appropriated to that fund.

When the total resources of the reserve fund reach the level of at least five percent of the amount of the basic stated in Paragraph 1 of this article, the obligation ceases to pool resources in that fund.

#### Article 122

When founders of a basic bank are withdrawing from the self-management accord on establishment of the basic bank, they may transfer their share of the joint and several liability fund and their share of the reserve fund to other founders of that basic bank or may withdraw them from those funds.

The self-management accord on establishment of the basic bank and its bylaws shall set forth the conditions, periods of time and manner of transfer and withdrawal of the shares from the joint and several liability fund and from the reserve fund, mindful of the bank's liquidity.

In the case referred to in Paragraph 1 of this article, a founder of the basic bank may withdraw his shares in the reserve fund and joint and several liability fund after obligations to the basic bank have been met.

#### Article 123

The resources of the capital assets fund of the basic bank shall consist of the office space, furniture, machines and other equipment used in performance of its business activity.

The bank shall use the money portion of the capital assets fund for the conduct of its business, or it may pool it in the capital assets fund of an associated bank.

#### Article 124

The assembly of the basic bank may decide that the basic bank may take credits to purchase the basic bank's capital assets in its own name, but on the account of its founders.

#### Article 125.

After a founder of a basic bank has withdrawn from the basic bank, he may withdraw his share pooled in the capital assets fund in the money amount after obligations which he has to the basic bank have been met, within the periods of time stated in the self-management accord.

#### 4. Associated Banks

##### Article 126

Basic banks shall establish an associated bank as an independent and self-managed financial institution in order to pursue common interests and the basic objectives of socioeconomic development and their own plans.

The associated bank shall be established on the basis of decisions of the founders of basic banks, and when the self-management accord establishing the basic bank so provides, on the basis of a decision of the basic bank's assembly as well.

The associated bank shall be established in conformity with Articles 6 through 8 of this law.

The National Bank of Yugoslavia shall evaluate the conditions for establishment of the associated bank pursuant to Article 7 of this law.

A basic bank may be a founder of more than one associated bank.

##### Article 127

An associated bank shall perform the banking functions set forth in the self-management accord on establishment of the associated bank, and in particular those pertaining to the following:

- 1) the pooling of resources and investment of resources for particular purposes;
- 2) the attraction and commitment of resources of deposits to particular purposes and of publicly committed resources in accordance with law and other regulations, social compacts and the self-management accord on establishment of the associated bank;
- 3) evaluation of joint capabilities and conditions for development and the common interests of the founders of the associated bank in adopting medium-term and annual plans;
- 4) the taking and granting of credits, guarantees and endorsements on securities within the Socialist Federal Republic of Yugoslavia;
- 5) the issuance of and trade in securities;
- 6) foreign-exchange, credit, and payments transactions with foreign countries and other transactions with foreign countries in conformity with federal law;
- 7) organization of the attraction of savings deposits and deposits of natural persons abroad in the name and on the account of its founders;

8) organization and advancement of information activity and functional organization of the associated banks and the founders;

9) betterment of the bank business operation, operating technology, technical adequacy, and personnel development;

10) coordination of the activity of founders of the associated bank in the proceedings of emergency financial rescue of a founder of the associated bank.

#### Article 128

The associated bank shall be a juridical person with the rights, obligations and responsibilities which it has on the basis of the self-management accord on establishment of the associated bank and this law.

The associated bank may have its representative offices in the Socialist Federal Republic of Yugoslavia and, under the conditions prescribed by federal law, abroad.

#### Article 129

The associated bank shall be managed on the principle of delegate decisionmaking by delegates of workers from among the banks' founders, elected in assemblies of the basic banks.

#### Article 130

The associated bank shall adopt a medium-term plan and annual plan to implement medium-term plans.

#### Article 131

A proposal of joint bases for preparation of the medium-term plan of the associated bank and the basic banks making it up shall be prepared by the professional management entity of the associated bank in collaboration with the professional management entities of the basic banks.

The proposal shall be adopted by the executive board of the associated bank after it has first been taken up in the executive boards of the basic banks.

The joint bases for preparation of the medium-term plan shall be adopted by the assemblies of the basic and associated banks.

#### Article 132

Along with the planning documents referred to in Articles 88 and 89 of this law, the plan of the consolidated summary balance of the associated bank shall also constitute an integral part of the medium-term and annual plans of the associated bank.

#### Article 133

In order to perform the common tasks in achieving the objectives of the country's economic, monetary and credit policy and the joint development policy and business policy of the associated bank and the basic banks which make it up, as set forth in the plans of the banks, the banks shall conclude self-management accords or contracts with other financial organizations.

In order to carry out individual development programs and plans for current activity of its founders and other social juridical persons, the bank shall enter into consortiums with other financial organizations.

#### Article 134

Provisions on planning for basic banks contained in Articles 85 through 93 of this law shall also apply to the associated bank.

#### Article 135

To maintain the current liquidity of the associated bank, the basic banks may in addition to other resources also pool a portion of the resources of their reserve funds and resources of the special liquidity reserve.

#### Article 136

A basic bank which is founder of an associated bank which has brought about the illiquidity of the associated bank may not dispose of resources in its giro account, nor resources invested in the bank so long as the associated bank remains illiquid.

An associated bank which is illiquid must ascertain which basic bank caused the illiquidity of the associated bank and shall so inform the competent social accounting service.

#### Article 137.

In order to furnish resources to perform the functions stated in Article 127 of this law and to discharge obligations as established by law, the associated bank shall have a joint and several liability fund, a reserve fund and a capital assets fund.

The associated bank may also form other funds consistent with the self-management accord on establishment of the associated bank.

The resources of the funds referred to in Paragraphs 1 and 2 of this article shall be formed from the respective funds of the basic banks and the resources referred to in Article 17, Paragraph 3, of this law in the amount, under the conditions and in the manner set forth in the self-management accord on establishment of the associated bank.



The resources of the funds of the basic banks which are pooled in the funds of the associated bank may in accordance with the self-management accord referred to in Paragraph 3 of this article be kept in the funds of the basic banks until such time as the associated bank begins to use them, excepting the reserve fund.

#### Article 138

The provisions of this law on the basic bank which pertain to management and decisionmaking; to business policy; to maintenance of liquidity and the bearing of risks and coverage of losses; to the formation, use and distribution of revenues and funds and to the bank's work community -- shall also be suitably applied to the associated bank unless this law or other regulations provide otherwise.

### 5. Banking Consortiums

#### Article 139

Two or more banks and other financial organizations may form a banking consortium for the purpose of broader pooling of labor and resources and to obtain credit in the Socialist Federal Republic of Yugoslavia and abroad for the purpose of fulfilling development plans and credit financing to back programs of current activity of organizations of associated labor and other social juridical persons.

Excepting self-managing funds of associated labor, banks and other financial organizations may form a banking consortium together with foreign banks and other financial organizations.

#### Article 140.

The consortium of banks shall be formed in a self-management accord or contract.

The self-management accord or contract referred to in Paragraph 1 of this article shall specifically set forth the following:

- 1) the goals of the consortium's formation;
- 2) the banks and other financial organizations which are participating in the consortium (members of the consortium);
- 3) the bank or other financial organization which is organizing the consortium in the name of the members and is supervising its operation;
- 4) the bodies for management of the affairs of the consortium;
- 5) the mutual rights and obligations of the consortium's members;
- 6) the period of time for which the consortium is being established and the manner of its termination;

7) the manner of bearing the general and specific risk of the members of the consortium arising out of the consortium's affairs.

The consortium may be permanent if the common interests involved are permanent in nature, or ad hoc if only the performance of a particular transaction is involved.

If foreign persons are taking part in the consortium, a contract on formation of the consortium shall be concluded, setting forth the rights, obligations and responsibilities of the contracting parties, in accordance with Paragraph 2 of this article.

## **6. The Postal Savings Bank**

### **Article 141.**

The Postal Savings Bank shall be a unified financial and savings institution for the territory of the Socialist Federal Republic of Yugoslavia carrying on an activity of particular public interest.

Organizations of associated labor in the PTT [postal, telegraph and telephone] sector and other organizations of associated labor whose activity is important to the proper and unhampered functioning of the PTT system shall establish the Postal Savings Bank under the conditions set forth in the self-management accord on establishment of the Postal Savings Bank.

The Postal Savings Bank may have representative offices in the Socialist Federal Republic of Yugoslavia.

### **Article 142**

The Postal Savings Bank shall be established by conclusion of a self-management accord on the basis of the prior decisions of the bodies of management of the founders.

The self-management accord on establishment of the Postal Savings Bank shall specifically contain the following:

- i. the common goals for which the Postal Savings Bank is established;
- ii. the activity of the Postal Savings Bank;
- iii. the manner of management and provisions on the bodies of management of the Postal Savings Bank;
- iv. provisions on the professional management entity;
- v. the bases of the system of planning and business policy, and especially the procedure for adoption of the agreement on the bases of the medium-term plan of the Postal Savings Bank and the procedure for adopting the annual plan to carry out the medium-term plan and measures to implement them;

- vi. the manner of formation of revenues;
- vii. measures and responsibilities for guaranteeing liquidity;
- viii. the manner of formation and use of the resources of the funds of the Postal Savings Bank;
- ix. rights, responsibilities and assumption of risk for the business operation of the Postal Savings Bank by its founders;
- x. the manner of adoption of bylaws and other general self-management acts of the Postal Savings Bank;
- xi. the manner of enacting amendments and supplements to the general self-management acts of the Postal Savings Bank;
- xii. the manner of enacting amendments and supplements to the self-management accord on establishment of the Postal Savings Bank;
- xiii. basic provisions on the internal organization of the Postal Savings Bank;
- xiv. the manner of regulating relations between the Postal Savings Bank and its work community;
- xv. other matters of significance to the establishment and business operation of the Postal Savings Bank.

#### Article 143

The Postal Savings Bank shall especially perform the following functions:

- 1. it shall attract dinar and foreign-exchange savings deposits of individuals and civil juridical persons in conformity with federal law;
- 2. it shall keep the current and giro accounts of individuals and conduct payments transactions for individuals in accordance with federal law;
- 3. it shall keep the foreign-exchange accounts of individuals in accordance with federal law;
- 4. it shall post and audit in-payments and out-payments of postal and telegraph money orders in domestic money traffic;
- 5. it shall administer the international money order, postal check, postal savings and purchasing service;
- 6. it shall purchase bank and traveler's checks and checks issued by the National Bank of Yugoslavia in conformity with federal law;
- 7. it shall purchase effective foreign currency in accordance with federal law;

8. it shall redeem securities (documents) in other countries in accordance with the act on redemption of securities of the World Postal Union;

9. it shall conduct international payments transactions, in conformity with federal law;

10. it shall conduct other transactions in the name and on the account of organizations of associated labor in the PTT sector and other social juridical persons on the basis of authority it has received from them.

#### Article 144

The affairs of the Postal Savings Bank shall be managed by its founders on the principles of delegate decisionmaking.

The governing body of the Postal Savings Bank shall be the assembly, and the executive board shall be its executive body.

The delegates of the founders of the Postal Savings Bank shall make up the assembly of the Postal Savings Bank.

The assembly of the Postal Savings Bank shall elect the members of the executive board from among members of the Postal Savings Bank.

Individuals who have savings accounts and other deposits in the Postal Savings Bank shall participate in management of the Postal Savings Bank in the manner set forth in the self-management accord on establishment of the Postal Savings Bank and this law.

#### Article 145

The Postal Savings Bank shall use the resources assembled, after deduction of the prescribed liquidity reserves, on the basis of the medium-term plan and annual plans for fulfillment of the medium-term plan adopted by the assembly of the Postal Savings Bank.

The medium-term development plan of the Socialist Federal Republic of the Socialist Federal Republic of Yugoslavia, the medium-term development plans of the founders and the plans of the Yugoslav People's Army shall be the basis for adopting the medium-term plan of the Postal Savings Bank and the annual plans to implement the medium-term plan.

The Postal Savings Bank shall use the uncommitted resources of savings accounts and other resources of individuals to extend credits for the purposes stated in the medium-term plan of the Postal Savings Bank and annual plans for implementing the medium-term plan through basic and associated banks and the Military Department of the National Bank of Yugoslavia, covered by their guarantee.

The Postal Savings Bank shall use uncommitted money resources to grant short-term credits to basic and associated banks and to the money and securities market.



#### Article 146

The revenues of the Postal Savings Bank shall be formed from the following:

- i. interest on credits granted;
- ii. charges for keeping the current accounts of individuals and for conducting payments transactions within the country on the account of the owners of those accounts;
- iii. charges for services in international money transactions;
- iv. charges for keeping accounts between organizations of associated labor in the PTT sector in domestic passenger [?] traffic;
- v. other revenues which the Postal Savings Bank realizes in conduct of its business consistent with general self-management acts and law.

#### Article 147

Operating costs shall include the following: interest paid to investors and owners of current and giro accounts, charges for banking services and services of PTT organizations, writeoffs of uncollectible claims, depreciation, and other operating expenses, in conformity with the self-management accord on establishment of the Postal Savings Bank.

#### Article 148

The revenues and joint income realized by the Postal Savings Bank shall be distributed in conformity with Article 17 of this law.

#### Article 149

The Postal Savings Bank shall have the following funds in order to build up resources to guarantee reliability and liquidity in business operation and also for the material base of operation:

1. reserve fund;
2. capital assets fund;
3. other funds in accordance with the provisions of law and general self-management acts of the Postal Savings Bank.

#### Article 150

The resources of the funds shall be built up from the resources of the founders and from the joint revenues of the Postal Savings Bank, in accordance with Article 148 of this law.

The resources of the reserve fund shall be used to maintain the current liquidity of the Postal Savings Bank, to write off uncollectible claims and to cover other risks, as well as to cover the value of unamortized fixed assets when they are conveyed, in accordance with statutes and other regulations.

#### Article 151.

The Postal Savings Bank shall be liable for its obligations with all the assets it possesses.

If the assets referred to in Paragraph 1 of this article are not sufficient to meet its obligations, the founders shall be liable for the obligations of the Postal Savings Bank to the extent and in the manner envisaged by the self-management accord on establishment of the Postal Savings Bank.

#### Article 152

The functions referred to in Article 143 of this law shall be performed in the name and on the account of the Postal Savings Bank by organizations of associated labor in the PTT sector through their own postal units, under the conditions and in the manner set forth in the self-management accord on establishment of the Postal Savings Bank.

#### Article 153

The Postal Savings Bank shall have its work community.

Relations between the Postal Savings Bank and its work community shall be regulated by a self-management accord on mutual rights, obligations and responsibilities.

### 7) Savings Banks

#### Article 154

Savings banks may be established by basic and other organizations of associated labor, banks, self-managing communities of interest, local communities and other social juridical persons within the limits of their self-management rights, on the basis of the self-management decisions of the workers and working people who live or work in a particular geographic area.

#### Article 155

Savings banks shall perform the functions of attracting resources of individuals in the form of savings deposits, deposits in current and giro accounts, the sale of securities and other banking transactions with individuals.

The savings bank shall use the resources attracted to extent credit to individuals to advance their activity which they perform on the basis of

self-employment, to purchase and build housing, to purchase consumer goods and to meet other needs of individuals.

The savings bank may use uncommitted resources in accordance with the self-management accord on its establishment and business policy documents to extend credit to organizations of associated labor to meet needs in the field of housing and municipal services, small business and the like, either directly or through the basic banks, to finance programs covered by the plans of sociopolitical communities in order to satisfy the common interests of the organizations of associated labor and the interests of the owners of the savings deposits in the geographic area which the savings bank serves.

A savings bank may engage in attracting earmarked resources from individuals for credit financing or financial backing of particular programs in the name and on the account of participants in the pooling of resources as well as in other financial transactions entrusted to it by its governing bodies, but in conformity with this law.

#### Article 156

The provisions of this law which apply to basic banks shall be appropriately applied to savings banks.

#### 8) Other Savings and Credit Organizations

#### Article 157

Other savings and credit organizations shall specifically include the following:

- 1) savings and credit cooperatives;
- 2) savings and credit departments in agricultural, craft and trade, and other cooperatives, basic cooperative organizations and basic organizations of cooperators.

#### Article 158

The establishment, management and business operation of savings and credit organizations as referred to in Article 157 of this law shall be regulated by law.

#### 9. Self-Managing Funds of Associated Labor

#### Article 159

Funds of associated labor shall be established in order to pool resources to serve the common interests and needs of associated labor for particular purposes.

Self-managing funds of associated labor shall be established by law or by self-management accord in conformity with law.

Self-managing funds may be established within the framework of particular economic branches and groupings, production and commercial complexes are at the level of the entire economy, as well as on the geographic principle.

The pooling and use of the resources of funds may be in the form of credit or outright grants.

#### Article 160

If law or the self-management accord in conformity with the law on establishment of a self-managing fund of associated labor specifies that it is to do business as a bank or to perform certain banking functions, the provisions of this law shall apply to that fund or the banking functions.

#### 10. Associations of Banks and other Financial Organizations

##### Article 161

Banks and other financial organizations shall establish an association of banks and other financial organizations for the entire territory of the Socialist Federal Republic of Yugoslavia (hereinafter referred to as "the association of Yugoslav banks").

Banks and other financial organizations may in a self-management accord establish an association of banks and other financial organizations for a particular area or for their specific field of business.

##### Article 162

Banks and other financial organizations shall establish the association of Yugoslav banks by concluding a self-management accord on establishment of the association of Yugoslav banks.

The self-management accord on establishment of an the association of Yugoslav banks and other financial organizations shall state the functions to be performed within the framework of the association, the method of operation, decisionmaking and management, the association's official bodies, the procedure for conclusion of self-management accords on matters of common interest among banks and other financial organizations and mutual rights, obligations and responsibilities in carrying out the measures of economic, credit-and-monetary and foreign-exchange policy and other matters in the joint conduct of business on the unified Yugoslav market.

A bank or other financial organization shall become a member of the association of banks and other financial organizations by adopting the self-management accord on establishment of this association.



#### Article 163.

The association of Yugoslav banks shall specifically perform the following functions and tasks assigned to it by banks and other financial organizations in the self-management accord on establishment of the association:

- 1) it shall organize professional and business agreements in order to standardize banking practice, on behalf of uniform enforcement of the measures of economic, credit-and-monetary, and foreign-exchange policy, conduct the proceedings toward conclusion of self-management accords of banks and other financial organizations on the initiative of founders for which the SFRY Assembly prescribes in its act that they must carry out the procedure to conclude a self-management accord, and shall take steps to implement them;
- 2) it shall monitor and investigate the organization of work and technology of operation of banks and other financial organizations and propose measures to improve them;
- 3) it shall work to reconcile opinions and proposals of the banks and other financial organizations in connection with matters related to the economic system and measures of economic policy as well as to other matters of common interest, and it shall present those opinions and proposals before the competent bodies and organizations;
- 4) it shall work to improve the unified information system of banks and other financial organizations.
- 5) it shall work to organize efforts concerning major development programs and towards foreign countries through a consortium of banks;
- 6) it shall furnish the initiative for conclusion of other self-management accords between banks and other financial organizations in order to guarantee uniform conditions for the business operation of banks and other financial organizations over the entire territory of the Socialist Federal Republic of Yugoslavia.
- 7) it shall work to organize joint representative offices of banks and other forms of banking business abroad;
- 8) and it shall also perform other functions in conformity with the self-management accord on establishment of the association and in conformity with law.

#### Article 164

Banks and other financial organizations shall also act as follows within the framework of the association of Yugoslav banks:

1. they shall initiate conclusion of self-management accords on all matters important to their more successful conduct of business;

2. they shall propose measures to carry out the jointly established policy and to achieve the conditions for business operation of the banks and other financial organizations;

3. they shall agree on the joint conditions related to conduct of money, credit and other banking transactions;

4. they shall reach agreement on the joint conditions related to attracting and obtaining resources within the country and abroad;

5. they shall reach agreement on a joint effort within the country and abroad.

## **11. The Money and Security Market**

### **Article 165.**

The association of banks and other financial organizations may organize a money and security market.

The market referred to in Paragraph 1 of this article shall be organized on the basis of a self-management accord concluded by basic banks, associated banks and other financial organizations on the basis of the decisions of their respective assemblies.

The rights, obligations and responsibilities of participants on the market shall be set forth in the self-management accord referred to in Paragraph 2 of this article.

### **Article 166**

The money and security market shall be concerned with the following:

i. the attraction and lending of uncommitted money resources of banks and other financial organizations;

ii. the buying and selling of transferrable short-term securities;

iii. the purchase and sale of long-term securities;

iv. other transactions that have a bearing on speeding up circulation of uncommitted money resources and maintaining current liquidity of the banks.

The money and security market shall conduct its business through a separate account, and in legal transactions it shall act in its own name, but on the account of the banks and other financial organizations.

### **Article 167**

The money and security market shall have its own annual financial plan and operational program for attracting and planning uncommitted money resources.

The income realized by the money and security market, after settlement of operating costs and appropriation of the portion of resources for the work community shall be distributed as joint income among the participants in the market, pursuant to the self-management accord referred to in Article 165 of this law.

The work community of the association of banks and other financial organizations shall perform the technical, administrative and auxiliary functions of the money and security market.

### III. BASES OF THE CREDIT SYSTEM

#### 1. Credit and Money Transactions

##### Article 164.

Credit transactions and money transactions performed in the framework of the credit system, as an integral part of relations in social reproduction, in banks and other financial organizations shall for the purpose of this law specifically embrace the following:

- 1) the pooling of labor and resources or the investment of resources to meet the needs of updating and expanding the material base of operation and to meet other needs of associated labor;
- 2) the attraction of money resources and deposits;
- 3) the pooling of money resources of the working people and citizens for particular purposes;
- 4) the attraction of other uncommitted money resources and savings deposits of individuals;
- 5) the taking of credit in the Socialist Federal Republic of Yugoslavia and abroad;
- 6) the granting of credit;
- 7) the granting of guarantees and endorsements;
- 8) the issuance of money cards and conduct of business with those cards;
- 9) the issuance of and trade in securities;
- 10) foreign-exchange and foreign currency transactions;
- 11) certain functions in settlement, in conformity with federal law;
- 12) banking transactions in the name and on the account of juridical persons and individuals as set forth in this law;

13) banking functions in its own name, but on the account of social juridical persons, in conformity with federal law.

The credit and money transactions referred to in Paragraph 1 of this article may also be conducted by all basic and other organizations of associated labor and other social juridical persons to meet needs in conduct of their regular line of business and in conformity with law.

## **2. The Pooling of Resources and Investment of Resources for Certain Purposes**

### **Article 169**

The pooling of resources or investment of resources for particular purposes may be conducted within or through a bank or other financial organization by basic and other organizations of associated labor, by banks or other financial organizations and by other social juridical persons, and resources may be pooled for particular purposes by civil juridical persons, working people and individuals.

The pooling of resources or investment of resources referred to in Paragraph 1 of this article shall be done by virtue of concluding a self-management accord or a contract or on the basis of law.

A sociopolitical community may participate in the pooling of resources for particular purposes as referred to in Paragraph 1 of this article by concluding a contract with other participants in that pooling.

### **Article 170**

The pooling of resources or investment of resources for particular purposes, in the context of Article 169 of this law, may specifically be done for the following purposes:

- 1) to realize joint revenues and income;
- 2) for mutual credit financing;
- 3) to regulate mutual payments and debtor-creditor relations on the basis of the purchase and sale of securities and credit financing on the basis of such securities;
- 4) to maintain current liquidity;
- 5) to finance certain needs of associated labor with outright grants.

### **Article 171**

The document whereby resources are pooled or resources invested in investment projects shall set forth the relations of the participants in pooling or investing the resources and the users of those resources, specifically as follows:



- 1) the purposes;
- 2) the amount of resources and the term for which the resources are being pooled or invested;
- 3) the manner of the pooling or investment of the resources;
- 4) the conditions and manner of use of the resources;
- 5) the rights and obligations of users of the resources;
- 6) the bases, scales and manner of participation in the results achieved by pooling or investing the resources;
- 7) the manner in which risks shall be borne;
- 8) the manner of management of the resources;
- 9) the conditions and manner of termination of the relations established.

A financial plan setting forth the amounts and sources of resources, the manner and rate at which they shall be furnished, and the use of the resources shall constitute an integral part of the document whereby resources are pooled or invested for the purposes referred to in Paragraph 1 of this article.

The document whereby resources are pooled or invested for the purposes referred to in Paragraph 1 of this article and the financial plan must be in conformity with the medium-term plan of the participants and obligations assumed in order to fulfill it.

#### Article 172

A bank or other financial organization shall participate in the pooling of resources consistent with the line of its business, as follows:

- 1) by pooling resources on the account of its founders;
- 2) by participating in the pooling of resources on the account of its founders within the framework of another bank or other financial organization;
- 3) by making preparations for conclusion and by participating in the conclusion of self-management accords and contracts on the pooling of resources as referred to in Articles 169 through 171 of this law;
- 4) by making preparations and adopting plans for the pooling and use of resources as referred to in Article 171, Paragraphs 2 and 3, of this law;
- 5) by channelling the resources pooled into a particular purpose and by employing those resources in conformity with the self-management accord or

contract and the financial plan insofar as it pertains to their pooling and use, and in conformity with law;

6) by furnishing additional money resources by attracting deposits, savings deposits, etc.;

7) by securing credit from other domestic or foreign banks and other financial organizations;

8) by issuing securities;

9) through the purchase and sale of securities;

10) by issuing credit secured by securities;

11) by issuing endorsements on securities;

12) by issuing guarantees;

13) by performing other functions related to the pooling of resources and the use of the resources pooled.

A bank or other financial organization shall conclude a contract with participants in the pooling of resources concerning those functions referred to in Paragraph 1 of this article which it is to perform on their account. That contract shall state the mutual rights and obligations related to those functions.

If pooled resources are placed at the disposition of users of those resources through a bank or other financial organization, the bank or other financial organization shall conclude a contract with the user of the pooled resources concerning the use and repayment of those resources in its own name, but on the account of participants in pooling the resources.

#### Article 173.

The self-management accord on the pooling of resources to maintain current liquidity and other short-term purposes shall state the manner of pooling, the rights and obligations of the participants in pooling the resources, and also the conditions and manner of termination of the relations established.

### 3. Deposits

#### Article 174

For the purpose of this law, "money deposits" means money resources which basic and other organizations of associated labor, other social juridical persons, civil juridical persons, individuals and foreign natural and legal persons deposit in the bank or banking organization as a payment on the basis of a self-management accord, contract or obligation to make a deposit as set forth in law.

The document whereby the deposit referred to in Paragraph 1 of this article is made shall contain more detailed conditions on the depositing and withdrawal of the resources as well as the conditions for their use by the bank or other financial organization.

#### Article 175

Money deposits may be sight deposits or time deposits, they may or may not require advance notice before withdrawal, and they may or may not be earmarked for a particular purpose.

All resources deposited in a bank or other financial organization which the depositor may dispose of without restriction shall be regarded as sight deposits.

Resources deposited in a bank or other financial organization which the depositor may dispose of at the end of the agreed period of time when the depositor notified the bank or other financial organization in writing of the intention to withdraw the deposit shall be considered time deposits requiring notice of withdrawal.

Resources deposited in a bank or other financial organization which the depositor may dispose of at the end of the term contracted for when the resources were deposited shall be regarded as time deposits not involving notice of withdrawal.

Resources deposited in a bank or other financial organization which can be used only for the purposes and under the conditions set forth in the certificate of deposit shall be regarded as time deposits for a specific purpose.

Resources deposited in a bank or other financial organization which the depositor has not specifically committed to a purpose shall be regarded as time deposits which have not been earmarked.

#### Article 176

A bank or other financial organization may accept deposits in domestic and foreign means of payment in conformity with this and other federal law.

#### Article 177

Basic and other organizations of associated labor and other social juridical persons are required in the case of resources kept in accounts with the Social Accounting Service to specify the type of resources and one or more basic banks in which those resources are to be kept as a sight deposit.

All the resources of any one sight account of a user of social resources must be deposited in only one bank.

Relations between the basic bank and the depositor shall be regulated by conclusion of a contract concerning the deposit.

As an exception to the provision of Paragraph 2 of this article, an internal bank may deposit resources which are in its account with the Social Accounting Service in more than one basic bank consistent with the requests of its founders who have transferred funds from accounts with the Social Accounting Service to the account of the internal bank in order to meet obligations or to pool resources in the internal bank.

The internal bank is required to file with the Social Accounting Service the bases and scales for distribution of resources referred to in Paragraph 1 of this article no later than six months before the date that distribution takes effect.

If a social juridical person in the context of Paragraph 1 of this article adopts a decision to change the basic bank or associated bank in which those resources are to be kept as a sight deposit, it must first discharge obligations arising out of the contract on the deposit concluded with the previous basic bank or associated bank.

The Social Accounting Service is required to enforce the provisions of a deposit contract and to regularly notify the basic bank of changes and the balance of resources in accounts of its depositors as referred to in Paragraphs 1 and 2 of this article, in accordance with federal law.

The provisions of Paragraphs 4 and 5 of this article shall also be suitably applied to a work organization if the workers in all or certain basic organizations within the work organization have decided to realize the gross income of the basic organization and dispose of the resources which they manage through the giro account of the work organization.

#### Article 178.

Savings deposits of individuals may be in dinars and also in foreign currency.

Savings deposits in dinars may be attracted by basic banks, the Postal Savings Bank, savings banks, and savings and credit organizations, consistent with the document on their establishment and the provisions of law.

Internal banks may attract savings deposits from workers employed in the organizations of associated labor which are its founders.

Basic and other organizations of associated labor and cooperatives may attract savings deposits from workers employed in them or from members of the cooperative provided they have a department especially organized for conduct of such transactions.

Savings deposits may also be attracted through other juridical persons if the resources of the deposits originate in savings organized within those



organizations (the resources of mutual aid treasuries, mutual aid resources, school children's savings, etc.).

Savings deposits in foreign currency and deposits in the foreign-exchange accounts of individuals and foreign natural persons may be attracted by banks, Postal Savings Bank, or savings banks in accordance with federal law.

The organizations referred to in Paragraph 6 of this article may also attract savings deposits in dinars from foreign natural persons, in accordance with federal law.

#### Article 179

The provisions of Article 175 of this law shall also apply to the savings deposits and deposits in foreign-exchange accounts of individuals.

#### Article 180

Figures on savings deposits and on deposits in foreign-exchange accounts of individuals shall constitute a business secret of the bank or other financial organization and may be divulged only on written request of the court if judicial proceedings have been instituted against the owner of the savings deposit or deposit in a foreign-exchange account of an individual.

#### Article 181

The conditions for acceptance and withdrawal of savings deposits and deposits in foreign-exchange accounts of individuals shall be set forth in business policy documents of the bank or other financial organization enacted on the basis of the annual plan.

#### Article 182.

Banks and other financial organizations shall in a self-management accord set forth the manner and overall conditions of the acceptance and withdrawal of savings deposits and other deposits.

#### Article 183

The National Bank of Yugoslavia shall guarantee savings deposits in dinars with basic banks, savings banks and the Postal Savings Bank, pursuant to federal law.

The Federation shall guarantee savings deposits in foreign currency and deposits in foreign-exchange accounts of individuals and foreign natural persons.

The republics or autonomous provinces may guarantee savings deposits in dinars with other savings and credit organizations under the conditions set forth in law.

The guarantee of the basic bank or other social juridical person may be obtained for savings deposits in dinars attracted by organizations of associated labor and internal banks.

#### Article 184

A bank or other financial organization may keep giro accounts and current accounts of individuals and conduct settlements related to those accounts on the account of the owners of such accounts, in accordance with this law and other regulations.

If disposition of resources in a giro account or in current accounts of individuals has been made by check, the payment of which is guaranteed by the basic bank, Postal Savings Bank or savings bank on which the check was drawn or with a check issued on the internal bank whose payment has been guaranteed by the basic bank, a basic organization of associated labor or other organization of associated labor, other social juridical person or sociopolitical community shall be required to accept such a check.

#### Article 185

Data on conduct of business of individuals through giro accounts and current accounts shall constitute a business secret of the bank or other financial organization.

Data on conduct of business of individuals through giro accounts may be divulged only on written request of the court or financial authority of the sociopolitical community.

Data on the conduct of business of individuals through current accounts may be divulged only in conformity with the provision of Article 180 of this law.

#### Article 186

A bank or other financial organization may issue money cards to individuals on the basis of resources in a current account or foreign-exchange account or deposit.

A money card is an instrument for noncash payment within the country and abroad, it is made out to a particular payee, and it may not be transferred.

The user of a money card makes payments within the limits of his resources in the current account or foreign-exchange account.

The issuer of money cards guarantees payments on the basis of the cards, organizes the acceptance of money cards by organizations of associated labor and those who render services, and prescribes the manner of payment and collection on the basis of such cards.

#### 4. Securities

##### Article 187

A bank or other financial organization shall issue securities in the name and on the account of social juridical persons.

A bank or other financial organization may issue securities in its own name, but on the account of social juridical persons if those securities are sold on a foreign financial market in accordance with federal law.

A bank or other financial organization may issue securities in its own name and on its own account in order to obtain liquid money resources.

The issuance of and trade in securities shall be in conformity with federal law.

##### Article 188

A bank or other financial organization may issue securities or take credit secured by such securities in accordance with the line of its business in order to obtain liquid money resources.

A bank or other financial organization may purchase securities and extend credit secured by securities which have been issued by basic and other organizations of associated labor or their internal banks, self-managing communities of interest, other social juridical persons or sociopolitical communities in accordance with the self-management accord of the bank of financial organization, general self-management acts, plans and other decisions, and also in conformity with law and other acts of bodies and agencies of sociopolitical communities.

##### Article 189

A bank or other financial organization may issue an endorsement on securities and guarantees consistent with the self-management accord on establishment of the bank or other financial organization, other general self-management act, medium-term plan and other decisions of its founders, but not to exceed the unused short-term credit potential or liquid investment potential.

A contract shall be concluded with juridical persons on whose account an endorsement is made on securities or a guarantee is issued in which the conditions shall be set forth governing the issuance of the endorsement or guarantee and the manner of payment of the obligations to the bank or other financial organization in the case of payments made on the basis of the endorsement or guarantee that has been issued.

## 5. Credits

### Article 190

A bank or other financial organization may take credits in the Socialist Federal Republic of Yugoslavia and abroad in its own name and on the account of users of credit, under the conditions set forth in this and other federal law, but within the limits on borrowing stated in the plans which have been adopted by the bank or in a decision of the bank's assembly.

A bank or other financial organization may in the Socialist Federal Republic of Yugoslavia in its own name and on its own account take short-term credits for liquidity, emergency financial rescue credits, and also credits which are extended to banks and other financial organizations by the National Bank of Yugoslavia, the national banks of the republics or the national banks of the autonomous provinces on the basis of federal law and in accordance with the joint bases of credit policy.

### Article 191

A bank is required to keep the volume and pattern of credits granted in line with the volume and maturity pattern of sources of resources which have been pooled or invested in the bank.

The National Bank of Yugoslavia shall prescribe the criteria to be used in ascertaining relations between the volume and pattern of sources of resources and the volume and pattern of credits granted.

### Article 192

In the procedure prescribed in the self-management accord on establishment of the bank, and within the limits of its uncommitted credit potential in accordance with the plans of the bank, a bank may issue all types of credit excepting credit for collection of claims on the basis of interests on credits extended.

In extending the credit referred to in Paragraph 1 of this article, the bank is required to ascertain the loan applicant's creditworthiness and to be mindful of its own liquidity and the soundness of the loan.

### Article 193

A bank may extend credit only to a creditworthy loan applicant.

With the exception of credits extended under the Law on Emergency Financial Rescue and Termination of Organizations of Associated Labor, a loan applicant shall be considered creditworthy if he is not operating at a loss, that is, if he does not have a loss at the moment when the credit is granted, and if he is regularly meeting money obligations on all credits, guarantees and instruments for securing payment, and if he has furnished



working and other capital in the volume prescribed by specific federal laws.

The assembly of a bank may prescribe special conditions for evaluation of the creditworthiness of a loan applicant for construction of facilities comprising the infrastructure.

As an exception a bank or other financial organization may extend credit to a social juridical person who does not meet the conditions of creditworthiness stated in Paragraph 1 of this article on the basis of a document of the sociopolitical community requiring the latter to return the credit if the user of the credit does not do so.

#### Article 194

The bank may not commit more than 10 percent of its liquid investment potential in extending investment credits to a single user.

As an exception, the assembly of a bank may on the basis of a prior vote by the competent bodies of management of the bank's founders adopt a decision to extend investment credit to one user, but not to exceed 25 percent of its liquid investment potential.

The bank shall take the initiative towards formation of a consortium of banks to extend credit to one user in an amount which exceeds the limits stated in Paragraphs 1 and 2 of this article.

#### Article 195

Banks shall set forth in a self-management accord the conditions for extending the various types of credit and also the methodology for evaluation of the social and economic justifiability of intended investment projects.

Banks shall be required to make a professional appraisal and evaluation of the social and economic justifiability of intended investment projects before the decision is made to extend the investment credit or to issue guarantees on the basis of investment projects.

Professional verification and assessment of the social and economic feasibility of the intended investments shall be done through appropriate professional and scientific institutions or in the bank's work community, if a separate department has been organized for that purpose.

The opinion concerning professional verification and assessment of the socioeconomic feasibility of intended investment projects shall be an integral part of the decision on granting an investment credit and the decision on issuing a guarantee on the basis of investment projects.

#### Article 196

If the appraisals of a bank concerning the economic justifiability of an

investment program that has been adopted prove to be mistaken and a loss is shown as a consequence, the bank is required, after financial rescue procedure has been conducted, to write off the claims come due under that credit in proportion to its share in the financing, up to the amount of the loss shown in that year, and the writeoff is to be charged to the income of the bank.

#### Article 197

A bank or other financial organization is required to stipulate in a contract the monitoring of the results of completed investment projects for which it has extended investment credit or has issued a guarantee on the basis of investment extending until the end of the period for repayment of the credit extended or up until the date when the guarantee expires.

In cases of use and expenditure of investment credits extended or guaranteed in accordance with Paragraph 1 of this article for purposes other than that which was stipulated, the bank or other financial organization is required to halt further use of the credit and to demand collection of the unused portion or to withdraw the guarantee issued on the basis of the investment project.

The decision on the manner of exercising the oversight and monitoring the effects referred to in Paragraphs 1 and 2 of this article shall be made by the assembly of the bank or other financial organization.

#### Article 198

A bank or other financial organization shall conclude a credit contract in writing with a user of credit.

The credit contract shall state the conditions for its being granted, its use and the repayment of the credit, as well as other rights and obligations of the contracting parties.

#### Article 199

A bank or other financial organization may extend credits to domestic and foreign persons.

Credit may be extended to a foreign person under the conditions set forth in federal law.

#### Article 200

A bank or other financial organization may deposit resources in other banks and other financial organizations in the Socialist Federal Republic of Yugoslavia and abroad in accordance with the self-management accord on establishment of the bank or other financial organization, in accordance with plans which have been adopted and federal law.

#### **Article 201**

The Federal Executive Council may limit extension of consumer credits to individuals for certain purposes or prescribe special conditions for the granting of earmarked credits.

#### **6. Other Functions**

#### **Article 202**

A bank or other financial organization may conduct foreign-exchange and foreign currency transactions under the conditions set forth in federal law.

#### **Article 203**

A bank or other financial organization may conduct settlement transactions in the Socialist Federal Republic of Yugoslavia on the account of individuals in accordance with its line of activity.

An internal bank may conduct certain settlement transactions in the name and on the account of basic organizations of associated labor which are founders of that bank, in conformity with this law and other laws.

#### **Article 204**

A bank or other financial organization may conduct banking transactions in the name and on the account of social juridical persons, civil juridical persons and individuals on the basis of a contract which sets forth the terms and conditions, rights and obligations related to those transactions.

#### **Article 205**

A bank or other financial organization may receive securities, articles of gold and other precious metals, jewelry and other articles for safekeeping.

A bank or other financial organization shall set forth in more detail the conditions for conducting the transactions referred to in Paragraph 1 of this article.

#### **Article 206**

A bank or other financial organization may also perform other banking functions and render other banking services on the account of domestic juridical persons and individuals in accordance with federal law.

## 7. Credit and Banking Transactions in Organizations of Associated Labor and Other Social Juridical Persons

### Article 207

Basic and other organizations of associated labor may out of the money resources which they possess, within the confines of their line of business, in order to augment production and sales and to achieve other common economic purposes, grant credits to basic and other organizations of associated labor and other social juridical persons, private farmers, working people engaged in self-employment, working people who are self-employed in the arts or culture, the legal profession or other professional activity, and to individuals, in accordance with law.

### Article 208

Basic and other organizations of associated labor may transfer the resources which they possess from their giro account and other accounts in the Social Accounting Service to the giro account of an internal bank for the purpose of pooling resources or meeting obligations which the internal bank is discharging in its name, but on the account of its founders, excepting resources necessary to meet obligations come due of the founders of the internal bank towards third persons and which are not paid through the internal bank.

If the resources in the giro account of the founder of the internal bank who is a debtor are insufficient to meet the obligations referred to in Paragraph 1 of this article and other obligations which have come due, the internal bank is required at the request of the competent social accounting service to immediately transfer funds from its giro account to the giro account of that founder of the internal bank necessary to meet its obligations come due, up to the amount of the resources of that founder placed at the disposition of the internal bank or pooled in the internal bank.

As an exception to the provision of Paragraph 2 of this article, if the self-management accord on establishment of the internal bank makes provision for the liability and risk taking for obligations of the founders of the internal bank, the internal bank shall be required at the request of the competent social accounting service to immediately transfer resources from its own giro account to the giro account of that founder of the internal bank necessary to meet the obligations come due as referred to in Paragraph 1 of this article for the obligations of that founder of the internal bank which have come due.

If within the period stated in Paragraphs 2 and 3 of this article the internal bank does not transfer the funds necessary to meet the obligations of the internal bank's founder, the Social Accounting Service shall issue an order transferring the necessary resources immediately from the giro account of the internal bank to the giro account of the founder of the internal bank.



If the workers in all or certain basic organizations of associated labor which are founders of the internal bank have decided to realize their gross income and dispose of the resources which they manage through the giro account of the work organization, the transfer of resources to the giro account of the internal bank and the repayment of resources from the giro account of the internal bank in accordance with Paragraphs 2 through 4 of this article shall be made through the giro account of the work organization.

#### Article 209

Basic and other organizations of associated labor shall set forth in a general self-management act the general limits and conditions under which credits may be granted or loans taken within the limits of their line of business.

The borrowing and extension of credit beyond the limits and conditions set forth in the general self-management act shall be regarded as unauthorized disposition of social resources.

#### Article 210

Within the limits of their line of business basic and other organizations of associated labor may extend consumer credits to individuals, private farmers and self-employed working people, in accordance with the regulations issued by the Federal Executive Council on the basis of Article 201 of this law.

Basic and other organizations of associated labor may borrow money from workers in those organizations and from individuals and may issue bonds for that purpose.

Basic and other organizations of associated labor as referred to in Paragraph 1 of this article shall secure repayment of those resources and compensation for resources invested in the form of interest and other accommodations as defined on the basis of law.

An organization of associated labor shall be liable for money borrowed and obligations assumed under bonds issued with all the resources which it possess, in accordance with law.

Basic and other organizations of associated labor shall themselves stand surety for obligations assumed, but they may also obtain the guarantee of other social juridical persons.

#### Article 211

Basic and other organizations of associated labor and other social juridical persons may purchase and sell securities issued by the Federation and by the republics and autonomous provinces.

#### Article 212

Organizations of associated labor may sell their bonds to foreign persons for dinars and foreign exchange, in accordance with federal law, for the purpose of obtaining money resources through a loan.

#### Article 213

In work organizations which have constituent basic organizations of associated labor, in complex organizations of associated labor, and in self-managed communities of interest which have constituent basic communities a separate financial department may be organized for performing the functions envisaged by the general self-management acts of those organizations and communities, in accordance with this law.

The pattern of organization, business and authority of the separate financial body shall be regulated by the general self-management act of the organizations and communities referred to in Paragraph 1 of this article or by a specific general self-management act on the organization and operation of that department.

The separate financial department shall be governed by a body consisting of delegates of the workers and other working people in the organizations for which it is performing functions.

#### Article 214

The separate financial department referred to in Article 213 of this law may in conformity with general self-management acts perform functions pertaining to the following:

- 1) preparation of proposals for financing the tasks envisaged by the development program and operating plan of individual members on the basis of which self-management decisions are made on pooling resources between the basic and other organizations of associated labor and on the joint realization of income;
- 2) the pooling of resources for investment in fixed capital and permanent working capital for the purpose of joint realization of income, mutual credit financing or financing with outright grants;
- 3) the pooling of resources for mutual short-term credit financing and maintaining current liquidity;
- 4) the channeling of the money resources of other organizations of associated labor on the basis of self-management accords on the pooling of those resources into the realization of development programs and plans of current activity of basic organizations of associated labor;
- 5) the settlement of mutual obligations of basic organizations through their internal accounts in the work organization or complex organization of

associated labor or self-managed community of interest, and the payment of their obligations;

6) obtaining and keeping records on the basis of pooling resources and use of the pooled resources to meet the needs of public information and to inform the organizations and communities which have organized the separate financial department;

7) concern for the conduct of debtor-creditor relations of the organizations and communities which have organized the separate financial department;

8) the keeping of records on mutual financial and credit obligations and concern for proposing and promptly implementing measures to eliminate irregularity in the discharge of those obligations;

9) organization of the borrowing of money resources and the attraction of savings deposits from workers and other working people in the organizations which have organized the separate financial department and payment of savings balances and their personal incomes through savings accounts;

10) and also the performance of other financial functions pursuant to the general self-management acts referred to in Article 213 of this law.

Mutual obligations as referred to in Subparagraph 5 of this article shall be settled through the giro accounts of the organizations and communities which have organized the separate financial department and shall be submitted to the Social Accounting Service every fifteen days.

In order to provide social recordkeeping and to perform the functions of information and analysis, the separate financial department must also file data on a monthly basis with the Social Accounting Service according to an instruction to be issued by the general director of the Social Accounting Service.

#### Article 213

The separate financial department shall not have the status of a juridical person.

The separate financial department shall do business through the giro accounts and other accounts of the work organization which has constituent basic organizations of associated labor, of the complex organization of associated labor and the self-managed community of interest which has constituent basic communities in which the separate financial department has been organized, in conformity with general self-management acts.

The general self-management acts referred to in Article 213 of this law shall state the rights, obligations and responsibilities of the personnel who perform the work of the separate financial department.

A regulation on implementation of the provisions of articles 213, 214, and 215 of this law shall be issued by the official who heads the federal administrative agency responsible for finance on the recommendation of the general director of the Social Accounting Service.

#### Article 216

The official who heads the federal administrative agency responsible for finance shall on recommendation of the general director of the Social Accounting Service prescribe the contents of the accounting and the accounting procedure referred to in Article 214, Subparagraph 5, of this law, no later than thirty days from the date of this law's enactment.

#### Article 217

Other social juridical persons than the organizations and communities referred to in Article 215 of this law may in a specific self-management accord organize a separate joint department for performing financial and accounting functions.

The self-management accord referred to in Paragraph 1 of this article shall specifically state the pattern of organization, the business, and the mutual rights, obligations and responsibilities between the separate joint department and the social juridical persons which have organized it.

### IV. PUNITIVE PROVISIONS

#### 1. Economic Offenses

#### Article 218

A bank or other financial organization shall be subject to a fine of not less than 500,000 and not more than 10,000,000 dinars for an economic offense in the following cases:

- 1) if it does not monitor the optimum and earmarked use of resources by users of credit (Article 15);
- 2) if an internal bank does not execute settlement of mutual obligations among all founders in the prescribed manner and in accordance with this law (Article 28);
- 3) if payments on the basis of investments are made through internal accounts in an internal bank (Article 29, Paragraph 4);
- 4) if a business unit of a basic bank distributes joint income or forms a fund or grants an investment credit (Article 68, Paragraphs 3 and 4);
- 5) if it rejects the application of a social juridical person to enter into a self-management accord on establishment of the basic bank, although that person fulfills the conditions contained in that accord (Article 71, Paragraph 2);



6) if it exceeds authority on the taking or granting of short-term credits for liquidity (Article 82);

7) if it does not ensure profitability, liquidity and soundness in lending of money resources in its plans or if in the commitment of resources it does not give preference to investments which show the best or a better ratio of anticipated accumulation to resources invested and to investments which guarantee, other things being equal, larger and faster benefits in terms of net inflow of foreign exchange (Article 90, Paragraphs 1 and 2);

8) if a basic bank does not form a separate liquidity reserve (Article 96, Paragraph 1);

9) if it does not ascertain the creditworthiness of a loan applicant and does not take into account its own liquidity and the soundness of the loan (Article 192);

10) if it grants credit to a loan applicant who is not creditworthy (Article 193, Paragraph 1);

11) if it does make provision for professional assessment and evaluation of the economic feasibility of intended investment projects (Article 195, Paragraph 2);

12) if in a case of use and expenditure of investment credits for other than the stated purpose it does not halt further use of the credit (Article 197, Paragraph 2);

13) if it does not issue a guarantee to the legal successor of the banking organization that its previous member will discharge its obligations if the resources which it has pooled in that banking organization are insufficient to cover its obligations (Article 227).

The person responsible in the bank or other financial organization shall also be subject to a fine of not less than 50,000 and not more than 500,000 dinars for the economic offense referred to in Paragraph 1 of this article.

The person responsible in the bank or other financial organization who has been convicted of the economic offense referred to in Subparagraphs 1 through 13 of this article and fined 200,000 dinars or more may not occupy a management post in a bank or other financial organization for a period of two years from the date when the verdict became final.

#### Article 219

The person responsible in the Social Accounting Service shall be fined no less than 50,000 and no more than 500,000 dinars for an economic offense if he fails to apply the provisions of a deposit contract and does not regularly notify the basic or associated bank of changes and balances of resources in accounts of its depositors (Article 177, Paragraph 7).

## 2. Misdemeanors

### Article 220

A bank or other financial organization shall be fined no less than 100,000 and no more than 1,000,000 dinars for a misdemeanor in the following cases:

- 1) if it does not accept an application for credit or for other type of banking service or banking transaction from an organization of associated labor or other social juridical person Article 14);
- 2) if an internal bank does not file a report with the Social Accounting Service on payments made and the data necessary for keeping social records (Article 29, Paragraphs 2 and 3);
- 3) if the resources of an internal bank's reserve fund used to write off uncollectible claims are not returned to the fund within the prescribed periods of time (Article 50, Paragraph 4);
- 4) if it does not publish its planning documents in the manner set forth in the bank's bylaws (Article 92);
- 5) if it does not inform its founders at least once a year concerning the progress in fulfilling plans and concerning the discharge of obligations (Article 93);
- 6) if it does not immediately inform the national bank of the republic or the national bank of the autonomous province, the National Bank of Yugoslavia, the competent social accounting service, the assembly of the republic or the assembly of the autonomous province, and the assembly of the opstina in which the basic bank is domiciled of decisions made and measures taken to remove the causes of illiquidity or to maintain liquidity (Article 105);
- 7) if a basic bank does not keep resources of the reserve fund in a separate account in the national bank of the the republic or the national bank of the autonomous province (Article 120, Paragraph 2);
- 8) if it does not abide by the conditions contained in the document concerning a deposit of money resources (Article 174, Paragraph 2);
- 9) if it does not undertake initiative to form a consortium of banks (Article 194, Paragraph 3);
- 10) if it does not set forth in more detail conditions for performance of the functions of safekeeping of securities, articles of gold and other precious metals, jewelry and other articles (Article 205);
- 11) if at the request of the competent social accounting service an internal bank does not immediately transfer resources from its own giro account to the giro account of its founder (Article 208, Paragraph 2);

12) if it does not bring into conformity its organization, manner of management and decisionmaking, liability for obligations and the bearing of risks, and its self-management acts and does not have itself entered in the court register by 31 December 1986 (Article 223).

The person responsible in the bank or other financial organization shall also be subject to a fine of not less than 10,000 and not more than 100,000 dinars for a misdemeanor for an act as referred to in Paragraph 1 of this article.

#### Article 221

A basic or other organization of associated labor or other social juridical person shall be subject to a fine of not less than 100,000 and not more than 1,000,000 dinars for a misdemeanor if it does not accept a check from an individual although payment of that check has been guaranteed by a basic bank, savings bank or Postal Savings Bank on which the check was issued (Article 184, Paragraph 2).

The person responsible in the basic or other organization of associated labor or other social juridical person shall be subject to a fine of not less than 10,000 and not more than 100,000 dinars for a misdemeanor for an action as referred to in Paragraph 1 of this article.

The person responsible in the agency of the sociopolitical community or other government agency shall also be subject to a fine of no less than 10,000 and no more than 100,000 dinars for a misdemeanor for an action as stated in Paragraph 1 of this article.

#### Article 222

An individual shall be subject to a fine of not less than 10,000 and not more than 100,000 dinars for a misdemeanor if he uses credit for a purpose other than the purpose stipulated in the contract concluded concerning the credit (Article 198, Paragraph 2).

### V. TRANSITIONAL AND FINAL PROVISIONS

#### Article 223

Banking and other financial organizations established before the day when this law takes effect, if they fulfill the conditions contained in this law, shall bring into conformity their organization, manner of management and decisionmaking, liability for the banks's obligations and risktaking, and their self-management acts and shall have themselves entered in the court register by 31 December 1986.

Banking organizations established before the day when this law takes effect shall terminate operations if they do not fulfill the conditions contained in this law, or they may be taken over by banks or other financial organizations established in accordance with the provisions of this law within the period of time stated in Paragraph 1 of this law.

A basic bank established before the date when this law takes effect may continue to operate in 1986 if aside from the general conditions it also furnishes resources in the sum of 6,000,000,000 dinars in funds and time deposits of social juridical persons and individuals.

The National Bank of Yugoslavia shall judge whether the conditions stated in Paragraph 3 of this article have been met.

#### Article 224

In 1986 the founder of a basic bank or other social juridical person who has caused the illiquidity of a basic bank may not dispose of resources in its giro account and other accounts kept with the Social Accounting Service, but included in that bank, so long as the bank is illiquid.

A basic bank which is illiquid shall be required to establish which founder or other social juridical person caused its illiquidity and to so inform the competent social accounting service immediately.

If the measures and activities of the basic bank as referred to in Paragraph 1 of this article or in Articles 100 and 101 of this law do not guarantee the basic bank's liquidity, the founders of the basic bank and other social juridical persons may not dispose of the resources in their giro accounts and other accounts kept with the Social Accounting Service but included in that bank, so long as the bank is illiquid.

#### Article 225

The provisions of a self-management accord on entry into association to form a banking organization concluded before the day when this law takes effect and pertaining to the liability of founders of a banking organization for the obligations of the banking organization shall remain in effect until those obligations are discharged unless a member of that banking organization concludes or enters into the self-management accord on establishment of the bank or other financial organization which is the legal successor of that banking organization.

The provisions of Paragraph 1 of this article shall be appropriately applied in case of termination of the operation of a banking organization established before the day when this law takes effect.

#### Article 226

The resources of the joint and several liability fund, reserve fund and capital assets fund of a banking organization established before the day when this law takes effect shall be used to form the funds of a newly established bank or other financial organization insofar as the previous members of the banking organization become the founders of a bank or other financial organization which is the legal successor of that banking organization.

If the previous member of the banking organization concludes a self-management accord on establishment of a bank or some other financial



organization which is not the legal successor of that banking organization, the resources pooled in the reserve fund and joint and several liability fund of the banking organization shall be returned to the member of the banking organization within the periods of time fixed in the self-management accord on establishment of the bank or other financial organization, which may not be longer than three years.

The portion of the resources which it has pooled in the capital assets fund shall be returned to the member of the banking organization referred to in Paragraph 2 of this article in the money amount within the periods of time fixed in the self-management accord on establishment of the bank or other financial organization, which may not be longer than five years.

#### Article 227

Resources of funds of a banking organization as referred to in Article 226 of this law shall be returned to a previous member of the banking organization after money obligations which the member had toward that banking organization have been discharged.

The bank or other financial organization receiving a member who had money obligations towards a previous banking organization is required to issue a guarantee to the legal successor of that banking organization that it will discharge the obligations of that previous member if the resources which it pooled in that banking organization are not sufficient to cover his obligations.

#### Article 228

Banks or other financial organizations which are the legal successors of banking organizations which under legislation in effect until now received authority to conduct international payments transactions, foreign credit transactions, foreign-currency transactions and exchange-office transactions in the Socialist Federal Republic of Yugoslavia may perform those transactions no later than 30 June 1986.

#### Article 229

The competent authorities and organizations which are to issue regulations to implement this law in accordance with its provisions are required to issue those regulations within a period of 60 days from the date when this law takes effect.

#### Article 230

On the day when this law takes effect, the Law on the Bases of the Credit and Banking System (SLUZBENI LIST SFRJ [Official Gazette of the Socialist Federal Republic of Yugoslavia], No 2, 1977; No 59, 1981; No 9, 1984; and No 70, 1984) shall cease to be valid.

#### Article 231

This law shall take effect on the eighth day after publication in SLUZBENI LIST SFRJ.

**END OF**

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**DATE FILMED**

14 March '86

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3